Reactors at risk Preventing another Chernobyl

Cross-border careers A new breed of Euromanager



Today's surveys Mexico Section III

FINANCIAL TIMES

EC commissioner threatens to quit in rift with Brittan

Hans Van den Broek, European Community external political affairs commissioner, has threatened to resign if he fails to secure concessions in a long-running power struggle with Sir Leon Brittan, chief EC trade negotiator. The rift focuses on who has management respon-

sibility for EC overseas delegations. Mr Van den Broek, former Dutch foreign minister, wants to share responsibility for appointing around 500 civil servants to overseas posts such as Washington, Tokyo and Moscow, Page 16

VW may bar top managers: Several Volkswagen executives may be ordered to stop work temporarily if a compromise, reached between lawyers representing the group and rival Adam Opel, is approved by their boards this week. Page 16

Trade figures hitch for UK: The UK faces three years of incomplete trade figures after difficulties with the European Community's new system of measuring intra-Community trade.

American Telephone & Telegraph, US telecommunications group seeking to establish itself in Europe, told potential European partners there was little prospect of aggressive competition in their home markets this decade. Page 17



Andrew Crockett (left), is to take over as general manager of the Bank for International Settlements from Alexandre Lamfalussy, presidentelect of the European donetary Institute. Mr Crockett, executive. director of the Bank of England with responsi bility for international

affairs, said he foresaw no diminution of BIS activity once the EMI began to operate. The BIS acts as a centre for research on financial trends and issues and as a forum for central bankers. Page 2

Rome crackdown on Intelligence agency: Italy's intelligence services; implicated in an embezziement scam, must be reformed before Clampi said. Page 3

ABB and Renault in robotics link-up: Asea Brown Bovert, Swedish Swiss engineering group. Is to addite the replacemperations of Renault and form a joint venture in automated vehicle

assembly with the French car group. Page 17

Princess sues newspaper group: Lawyers for the Princess of Wales issued writs against Mirror Group Newspapers over publication of pictures of her at a fitness club as efforts were under way to allow the newspaper group to rejoin the UK system of press self-regulation. Page 8

Refugee numbers soar: The global total of refugees rose to 18.2m at the start of this year from 2.5m in 1970, according to a report by the UN High Commissioner for Refugees. Page 5

Japan's recovery forecast reversed: Japan's Economic Planning Agency reversed its previously optimistic assessment on growth, saying it saw little evidence of an upturn in the economy. Page 5

S.G. Warburg, UK-based investment bank, reported pre-tax profits of £148.8m (\$225m) for the six months ended September 30 compared with £51.2m a year ago. Market making and proprietary trading performed strongly. Page 17; Lex.

Nextel, US mobile data communications services company, plans a nationwide advanced digital communications network to compete with existing cellular telephone services. Page 17

Ex-LDP man denies breaking law: Ichiro Ozawa, former secretary-general of the Liberal Democratic party, denied any legal violations in accepting Y5m (\$47,000) in donations last year from Kajima, a construction company. Page 5

Gatt deal could bring \$270bn benefits: A Gatt deal could enrich the world by \$270bn by 2002, the Organisation for Economic Co-operation and Development said in the highest estimate yet of the benefits that could flow from the sevenyear Uruguay Round negotiations. Page 7

Setback for Jordanian fundamentalists: Moslem fundamentalists lost seats in multi-party clections but remained the largest bloc in parlia-ment. The result was a victory for King Hussein who urged voters to show moderation. Page 4

A STOCK MARKET INDICES	STERLING
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Document guarantees right to own land, establishes independent central bank

Yeltsin granted supreme role in draft constitution

By John Lloyd in Moscon

RUSSIA'S draft constitution. published last night, establishes the president as the aupreme authority in the country and guarantees, for the first time, the right to own and sell land.

The draft, which will be put to a referendum on December 12, also establishes the central bank as independent of all levels of state power.

President Boris Yeltsin, in a television address last night, said the constitution was designed to lay down a "firm, legal order" for a democratic state. He said it marked a break with the Soviet past and with the period of "dual power" between presidency and parliament which ended with the banning of parliament in Septem-

The draft establishes the president as the supreme authority in the country, giving him the right to override the decisions of the two-chamber parliament, issue decrees and he impeached only after a lengthy process of voting and reference to the courts.

The president can dissolve the

Yeltsin outlines new order for his country

three of his candidates for prime minister or if it passes a vote of no-confidence in the government. The president also proposes candidates for the chairman of the central bank, all key judges

and the prosecutor general. It establishes all 89 "subjects of the federation" - the republics, regions, districts and two main cities (Moscow and St Petersburg) - as equal in their rights and subject to the laws and decisions of the federal authorities. It sets out civil and social

rights for all citizens of the federtion, enshrining in law rights to helief, travel and assembly, which have been practically non-existent for much of this century, especially after the 1917 Bolshevik revolution. "The right of private property la secured by the

In a final section on the "transitional situation", it lays down that the president must serve his to upgrade itself to the status of

the European Commission, will.

attend the summit. Also on the

agenda is European financial

full term until June 1996 - thus cancelling Mr Yeltsin's promise to stand for election in June - a decision that he announced at the weekend and which has attracted fierce criticism from opposition parties campaigning for election on December 12.

The draft constitution will be enshrined in law if 50 per cent of those voting in the national referendum on the same day support

The constitution has already attracted criticism from the liberal end of the political spectrum. Mr Garry Kasparov, the world chess champion and a candidate of the pro-Yeltsin group Choice of Russia, said: "It is obviously temporary, it cannot serve the country in the longer term."

In a front-page editorial in Nezavisimaya Gazeta, Mr Valery Tretyakov, the Moscow daily's editor, said the constitution would be approved in the referendum but that "it is a constitution for presidents in general and for President Yeltsin in particular". Mr Yeltsin, in a pre-emptive

move yesterday against the

Russian president Boris Yettsin signs the new proposed constitution the Urals Republic, cancelled the region's declaration of republican status - only to have the regional leader, Mr Eduard Rossel, proclaim he would stand for election as governor of the republic. The

Central Electoral Commission also urged the leadership of the North Caucasian republic of Chechnya to take part in elec-tions. It has so far refused, argu-

Russia wins European trade concessions

EU to present package to Yeltsin at one-day summit tomorrow after all-night negotiations

By Clonel Barber in Brussels end John Lloyd in Moscow

THE European Union yesterday agreed to wide-ranging trade concessions to Russia as part of its drive to secure a new trade and political pact with Moscow hefore the parliamentary elections in December.

The package will be presented to President Boris Yeltsin tomorrow at a one-day meeting in Moscow which Brussels views as a useful show of support for the forces of democratic reform in

The Belgian presidency of the European Union, accompanied by Mr Jacques Delors, president of

support for the parliamentary elections and the promised dispatch of European election observers. It was agreed after an all-night negotiating session in which

member states were torn between the political goal of backing Mr Yeltsin and the pain of offering economic concessions which could hurt European industry still trapped in recession. After intervention by Sir Leon

Brittan, chief trade negotiator, ministers came down in favour of a compromise.

Sir Leon's new negotiating

mandate offers marginal concessions in terms of improving market access for cheap Russian imports such as steel and aluminium, but it does modify the use of the draconian weapons which Brussels can deploy against alleged unfair traders.

Thus, Russia will no longer be labelled a "state trader" or "command economy" such as North Korea or China, but as an "economy in transition". Officials bope this will meet Moscow's demands to be treated more as a capitalist than a Communist country.

The chief advantage of the new trading status is that Russia would be less liable to automatic anti-dumping suits. In future, the

Clinton

stiffens

By George Graham

stance on

plutonium

PRESIDENT Bill Clinton has

Commission will have to prove "substantial injury" to European producers, and to consult Russla

before imposing levies. Similarly, the EU has agreed to tighten up on the use of so-called "safeguard clauses" which can be invoked to protect European industry. Under the new mandate. Europe must show that Russian goods are hotb underpriced and that there has been a significant surge in imports.

A final concession is to offer Russia 1998 as the date when the Union and Russia will decide on whether to create a common free trade zone. The aim is to underscore Europe's long-term willingness to lower trade barriers,

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In Moscow, Mr Alexander Sbokhin, the Russian deputy prime minister who has negotiated the agreement with Sir Leon, said vesterday that no substantial barriers remained between the two sides. Two of the touchiest issues - on the EU demand to include a standard clause on buman rights, and on the right of foreign creditors to seize Russian property abroad were settled only after reference up to President Boris Yeltsin and Mr Delors, he said.

Commission power play, Page 16

Producer prices cheer US markets

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By Michael Prowse in Washington

FRESH EVIDENCE that faster economic growth is putting little upward pressure on prices helped restore confidence in US financial markets yesterday after beavy selling of honds and

shares last week.
The US Lahour Department reported yesterday that the producer price index fell 0.2 per cent last month and rose only a marginat 0.2 per cent in the year to October. The figures were mnch better than generally expected. Most analysts were looking for an increase in producer prices of about 0.2 per

Bond prices rose sharply, par tially reversing sharp recent declines. By midday, the benchmark 30-year Treasury bond was up more than a point, cutting the yield to 6.11 per cent. Wall Street share prices also rose, with the Dow Jones industrial average up 16.49 at 3664.39 by midday.

Analysts, however, were keenly awaiting today's consumer price figures, which are not expected to be as favourable as the wholesale price data. The consensus forecast is that con sumer prices will rise about 0.3 per cent, although about a third of this increase will reflect a 4.3 cents a gallon increase in petrol taxes that took effect last month. The year-on-year increase is expected to be under 3 per cent. The "core" producer price

index, which excludes the volatile food and energy components fell 0.5 per cent last month and was up only 0.1 per cent in the year to October. However, this largely reflected a 3.9 per cent drop in seasonally adjusted car prices, a one-off decline associated with the Introduction of new 1994 models. Excluding cars, core producer prices were roughly flat last month. "In a productivity-led recov-

ery, faster growth does not have to lead to higher inflation," said Mr Stephen Roach, senior economist at Morgan Stanley, the New York securities firm. He noted that wholesale prices had fallen at an annual rate of 3 per cent in the past six months, reversing an apparent rise in inflation early this year.

Editorial Comment. Page 15

Mexican peso under pressure as US vote on Nafta nears

By Dannian Fraser in Mexico City dollar, the floor of which deval-

MEXICO'S PESO came under beavy selling pressure yesterday as foreign and domestic investors became increasingly nervous over prospects for the North American Free Trade Agreement The exchange rate fell at one time almost to its lowest permitted level of 3.31 pesos to the dol-lar, 5 per cent below the opening rate of 3.15. By noon the currency settled down to 3.25. after reported heavy intervention by

the central bank. Uncertainty in Mexican financial markets has been mounting in the past week ahead of the scheduled vote in the US House f Representatives on Nafta on November 17. Last night, US vice-president Al Gore and Texas hillionaire Ross Perot were to participate in a televised debate

in the US on the subject. "The market is very nervous about Nafta and the Gore-Perot debate", said Antonio Gonzalez of Estrategia Monetaria, an exchange rate house in Mexico City. "By letting the exchange rate appreciate to the npper hand, the Central Bank is raising the costs of speculation."

Mexico's peso is allowed to float within a hand, currently between 3.056 and 3.309 to the

ues fractionally every day. The peso, remarkably stable throughout the year, started weakening last Wednesday, when foreign and domestic investors began to sell the currency to lock in gains made this year on Mexico's high-

yielding government paper.
"The risk is that if Nafta does not pass the peso will break out of the hand," said Mr Ashwin Vasan, who manages global bond portfolios at Oppenheimer Management in New York. "There is 30 per cent chance this will

A devaluation would be a serious economic and political blow to President Carlos Salinas's administration, which has made price stability and a strong currency the centrepiece of economic policy. Government offi-cials have said they would allow interest rates to rise to whatever level is necessary to keep the

peso within the band. Mexico's short-term interest rates in the secondary market rose to over 20 per cent yesterday. But the stock market, which had fallen by a combined 4.2 per cent on Friday and Monday, edged higher yesterday.

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Gore and Perot braced

for debate, Page 7

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State Information _3031,40

stiffened his opposition to the production of plutonium even for civil purposes, in a move that might pose yet another challenge to the UK's controversial Thorp nuclear fuel reprocessing plant.
In a letter to members of Congress, Mr Clinton sald continued production of plutonium, even for civil purposes, was "not justi-fled on either economic or national security grounds, and its accumulation creates serious pro-

forward from the Clinton administration's non-proliferation pol icy issued in September. In that document, the White House said only that it would seek to eliminate where possible the accumulation of stockpiles of highly enriched uranium or plutonium, and to ensure that where these materials already exist, they are subject to the highest

standards of safety, security and international accountability".

Thorp, huilt in Cumbria by Continued on Page 16 Cleaning up Lithuania's nuclear

Wall Street .

M Merco

Austria.

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convertible currenties. That's more than any other range in each one, we offer liferation and security dangers" The statement marks a step money for our chems

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O THE FINANCIAL TIMES LIMITED 1993 No 32,214 Week No 45 LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

Briton appointed BIS chief

MR ANDREW Crockett, appointed yesterday as general manager of the Bank for International Settlements, said the BIS would probably intensify its research efforts on the problems associated with financial derivative instruments and on eastern European monetary

Mr Crockett, executive director of the Bank of England with responsibility for international affairs, expects to succeed Mr Alexandre Lamfalussy on January I. Mr Lamfalussy is to become president of the European Monetary Institute (EMI) in Frankfurt, the precursor of a European central

Speaking at a press conference following the monthly BIS governors' meeting in Basie, Mr Crockett said he foresaw no diminution of the BIS's activity

once the EMI began to operate. The BIS operates officially as a central bank for 33 central banks, holding on average 10 per cent of their reserves. But its significant roles are as a centre for research on financial trends and issues and as a forum for central bankers to

"I would see the creation of the EMI as an opportunity for



on the global context," he said. He cited commercial banks' capital adequacy, the very rapid expansion of derivative products and problems arising from the rapid evolution of payment settlement systems.

has attracted a lot of attention. It would not surprise me if we concern is to make sure that the staffing and analysis and for the governors' needs." Mr Crockett also signalled a greater effort by the BIS to serve its many eastern Euroan central bank members. "I think there is an important role for the BIS in serving the needs and interests of these countries as they emerge

rest of Europe." He acknowledged that many western European central banks could well reduce their deposits at the BIS as European monetary union prog-

towards integration with the

"Obviously, once European conomies reach stage three, they will not have the same need to hold reserves, some of which they deposit at the BIS. So it is not unreasonable to expect their deposits with the

Mr Crockett made clear that he fully supported the process of European monetary union.
"I have been associated in the past four-and-a-half years with a lot of activity, including

"I am very committed myself to the work that has gone on in Surope.
"I believe in the process of

monetary integration, hnt of course, that has to take place in a realistic context and taking account of the realities," Mr Crockett said.

Banker whose wink is as good as his nod

By Peter Marsh,

supposed to indicate thair thoughts by barely perceptible With Mr Andrew Crockett appointed yesterday as the new general manager of the Bank for International Settlements, the central bankers' bank, it is the eyelids that are

Mr Crockett, international director at the Bank of England, has the appearance of a self-effacing though welldressed don. And he likes to nicating economic policy asides to people who are outside the generally closed circle of international monetary

Mr Crockett, 50, takes over at the Basie-based bank at the beginning of next year at a time when the future of the 63-year-old bank is clouded, partly by a number of impending changes at the top of the organisation, and by to what degree the BIS will shed its

the new European Monetary institute, due to be set up next ' Europe will move forward in year in Frankfurt as a precursor to the proposed EC central bank, where his predecessor, Mr Alexandre Lämfalussy, will he the new head.

Born in Glasgow, Mr Crockett joined the Bank of England in 1966 after studying economics at Cambridge and Yale. He did a 17-year stint with the International Monetary Fund before returning to the Bank in 1989 as international director one of the top four positions in Threadneedle Street after governor and deputy governor. He is the first Briton to head an important international mone

At the IMF, Mr Crockett's most important job was preparing the Fund'a twice-yearly world economic outlook. Here he built up a reputation for careful analysis. Mr Flemming Larsen, the Fund's assistant research director, says of Mr Crockett "He has an amszing points he wants to convey eve when they are controversial." useful when Mr Crockett takes over the job of writing the Bis'a highly regarded annual

currency crises of the past 18 months, Mr Crockett has suggested that different countries could try to build eco-nomic convergence by keeping inflation within targets which are set domestically hut are

Mr Crockett takes over the

chairmanship in Paris today of working party three, a secretive group of central bank and sury officials-which m under the auspices of the Organisation for Economic o operation and Development. As for the future style of the BIS under Mr Crockett much depends on who is chosen to replace the three top officials assistant general manager, Mr Rémi Gros, head of administra-

tion, Mr Giampietro Morelli, and chief economist, Mr Horst Bockelmann - who are due to retire over the next two years. According to one view. Mr Crockett is likely to start by beefing up the economics department which, some observers feel, could build on its good international reputa-tion by specialising more on specific issues such as banking behaviour and currency flows.

Balladur sees no easy fix on jobs

CLASSIC ways of lifting France out of recession through a big boost in public spending and a sharp cut in interest rates would not work in an economy beset with such a high level of structural aployment, the prime minister, Mr Edouard Balladur,

Addressing 2 conference organised by the International Herald Tribune, Mr Balladur was thus rejecting criticism, partly from within his own parliamentary majority hnt also often echoed in the foreign exchange markets, that his go-slow approach will prove politically untenable in the face of lengthening dole

Mr Balladur said that, given the openness of the French economy, the effect on employ ment of policies designed simply to stimulate demand the short term and unfavourable in the long term". Spending in the 1994 budget is due to rise by 1.1 per cent, or at half the predicted inflation

Equally, Mr Balladur ruled out trying to "force" interest rates down, not only because franc down and inflation up, but also because "with compa nies so uncertain about demand and with significant unused capacity ... the impact on consumption and investment would be very weak".

In contrast to the govern ment's first four months in office; in which French interest rates were cut eight times independently of the Bundes bank, French monetary policy now seems to be awaiting German action. Only half a mil-lion of the 3.2m French now out of work had lost their jobs due to the cycle of rece Mr Balladur said. More than three quarters of France's unemployment was due to the high cost and low qualification of French labour, and to waste

Algerian exiles held by French

French polica yesterday rounded up some 70 suspected Algerian Moslem fundamentalists in an attempt to prevent terrorism spreading across the Mediterranean to France. writes David Buchan.

Among tha 30 arrested in the Paris area were Mr Mou Kraouche and Mr Djaffar Houari, leaders of the Algerian Fraternity in France, which is suspected of being a front organisation for the Islamic Salvation Front that is banned in Algeria. The dawn swoon was triggered by the kidnap-ping last month of three French officials in Algiers.

Second German company in Aids scare

By Arlane Genillard in Bonn

BLOOD products from a been recalled from 64 hospitals because of suspicions that the products may contain the HIV virus, as Germany's largest

in Lower Saxony, is suspected by local authorities of failing regularly to test its blood products for HIV, the virus which causes acquired immune deficiency syndrome (Aids).
All hospitals and medical

centres in the country using the products have been ordered to send them back to local

authorities.

Meanwhile, the state prosecutor's office in Koblenz said it had found two HIV-infected blood samples among the 2,000 tested so far from UB Plasma, the company that caused nationwide panic after it revealed it had not properly tested its blood products for

it needed to check up to 20,000 blood products from UB Plasma, a process which could continue well into next year. The revelations have caused tens of thousands of worried

The prosecutor's office said

Germans to telephone local hospitals and medical centres to ask for advice or seek an Aids test.

Bangemann says EC car industry needs overhaul

By Andrew Hill in Brussels

THE European Community car industry will have to sacrifice jobs, cut working hours and introduce new training methods and working patterns if it is to compete with US and Japanese manufacturers, the ECa industry commissioner said

Mr Martin Bangemann told a Turin conference on the future of the EC car industry that the Commission would encourage training and re-training, and back technological innovation to help improve the competi-tiveness of the car industry. Mr Bangemann also called for the development of an ECwide computerised road-pricing system, which would replace

toll-kiosks on main European highways, and help reduce congestion and pollution. "We do not abolish frontiers in Europe just to see ourselves forced to stop every few kilometres to pay a toll," he said in his speech, the text of which was released in Brussels. The Commission has just

submitted to member states a draft of its latest report on the state of the EC car industry. Industry ministers will discuss the study at their meeting on November 18 and Commission officials said yesterday they expected several weeks of fierce political debate about how the EC abould respond to the industry's problems, A final report is likely to be adopted in early 1994. In his

speech yesterday, Mr Bange-mann urged the industry to invest in new plants with the aim of creating a European "lean production" system as productive and cost-efficient as the Japanese equivalent.
But he added that there

would also have to be changes to the internal organisation of companies and to their relationship with outside partners, component manufacturers and the sales network.

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Yeltsin outlines new Russian order

By John Lloyd in Moscow

"RUSSIA needs order", President Boris Yeltsin told the Russian people in a television broadcast last night. But he continued: "Not tha terrible, repressive order of Stalinist camps: Russia urgently needs firm, legal order.

The draft constitution, published today throughout Russia, is his attempt to give it that basis. It is certainly not a Stalinist order (though the Stalinist constitution on paper was a model of democratic practice), for it is careful in efining the rights and duties of internal and foreign policy. the levels of government announced yearly in a state of of the levels of government

EU convergence

guides Greece's

economic path

Kerin Hope in Athens

MS VASSO PAPANDREOU.

one of the chief standard-

bearers of the Greek Socialist

party, said yesterday that

international competition"

left Greece with no choice but

to improve economic conver-

gence with the rest of the

She presented the pragmatic and more market-orientated

face of Greek socialism during

a visit to London, saying that

would press ahead with a mod-

ified version of the hotly dis-puted privatisation pro-

However, Ms Papandreou,

EC commissioner for social policy between 1989 and 1992,

said Greece was very unlikely to meet the Maastricht conver-

gence criteria for participation

in economic and monetary union by 1999. But, she added: "We have to

converge, with or without Maastricht

Although not to the new gov-

ernment of Mr Andreas Papandreou (in whom she is not related), which took office four

weeks ago, she retains strong

influence in the Panhellenic

In the October 10 election.

Ms Papandreou, running in Athens, won more votes than any other candidate for parlia-

But political rivalries pre-

vented the prima minister from

Socialist Movement (Pasok).

the new Athens government

European Union.

gramme.

By David Marsh in London and . offering her a cabinet post.

In recent weeks, Ms Papandreou - a previous deputy

technology minister and once

one of the most radical of Mr

Papandreou's followers - has

shown more realism than other

senior Socialists about

requirement is forecast to

reach 14.9 per cent of gross

domestic product this year, against a target of 7.9 per cent.

Declaring the priority was to

"stabilise the economy", Ms

Papandreou said yesterday the

government would take tough

action to curb expenditure and

Pasok has already ahan-

doned its pre-election pledge of

"no new taxes". A revenue

Athens, including price rises

The government is preparing legislation designed to reduce tax evasion, particularly by husinesses and the self-

employed. The average Greek doctor, lawyer and civil engi-neer declares an income equiv-

alent to that of a primary

The government has for-mally halted the privatisation

programme of the previous

But, above all because of finan-

cial pressures, Ms Papandreou

said the state would sell off stakes of 20 per cent or more in

public sector telecommunica-

tions and energy companies on the Athens stock market.

conservative administration.

for tobacco and alcohol.

package is under discussion in

raise revennes.

school teacher.

The government borrowing

Greece's budget deficit.

which exist now or should be elected. But it is certainly firm. It has been plain for some weeks that this was to be a constitution for a strong presidential state, with much of the US and French systems about

As it turns out, it is stronger than either, largely because the two houses of the federal assembly, or parliament, are limited in crucial areas by the overriding powers of the presi-dent. These allow him: the armed forces;

 to be head of state and of to set the general direction. to name the prime minister and insist on keeping him even if parliament objects;

commanders without parliamentary approval; and name and head the security council, which has a wider range of powers than pure If his government is chal-

lenged by a vote of no confidence in parliament, be can keep it in nifice for three months and then sack the pariament rather than the government, if the vote is

He can veto any law passed

chief fears

Military

for Nato

Defence Correspondent

By David White,

expansion

NATO'S most senior military

nfficial yesterday expressed

clear reasrvations abnot

expanding the alliance, saying

its effectiveness canld he

Fiald Marshal Sir Richard

Vincent, chairman of Nato'a

military committee, also

warned against offering secu-

rity guarantees to former members of the Warsaw Pact.

Drawing comparisons with

security promises made in the

late 1980s, he said guarantees

had to be underpinned by

political will and hy military

seriously in prospect," he told an andience at the Royal

United Services Institute in

London. He said his remarks

were "strictly personal".

Sir Richard recognised that
Nato might not be moving "far
and fast enough" to satisfy the

expectations of central and

eastern European countries or

to fulfil its own aim of belping

to create a stable security

environment. But Nato's best path was a

step-by-step policy based nn practical military co-operation

Allies could not afford to "rush into this recklessly".

There were already signs

that different national and

reginual perceptions among existing allies were making it

mare difficult to achieve a common approach.
Links with eastern Europe

will be high on the agenda of a Nato summit in Brussels no

Sir Richard's outspokenness

created a stir earlier this year

when he said Nato could not intervene in Yugoslavia unless

political leaders provided clear

He returned to this theme

yesterday, arguing that a lar-ger-scale military operation

required decisions beforehand

on its scope, on its funding, on

who should take the ultimate

responsibility and no who would exercise day-to-day

nversight and direction.

Sarajevo

attacked

By Laura Silber in Belgrade

EFFORTS to revive the

moribund peace process in

Bosnia yesterday failed to stop

a surge in violence as three children and their teacher

were killed in a mortar bomb attack on a school in Sarajevo

which wounded at least 20

In Mnatar, Croat tanks demolished a famous bridge,

built in 1566 and which

embodied the heritage of the southwestern town. "It was a

shot in the heart and soul of

every inhabitant of Mostar," a local Moslem leader told Bos-

Amid intense disappoint-

ment with the international

community for turning its back on Bosnia, Mr Alija Izet-

begovic, the Bosnian presi-

dent, yesterday sanhbed Mr

Thorvald Stoltenberg, the UN mediator, who visited Sarajevo

in an attempt to get the peace

Instead, Mr Stoltenberg met

Mr Haris Silaidzic, the prime

minister, to discuss the open-

ing of blacked aid routes,

In another incident which could further tarnish the UN

mission in Bosnia, Serb guards on Monday used crowbars to

pry open a UN armoured car carrying the Catholic archbishop of Sarajevo and two

other Crost clerics who were

on a peace mission to the cen-

tral town of Vares. The Serbs

abducted the churchmen's two

bodyguards

reaching a peace settlement.

process back on track.

nian radio.

school

January 10.

"I do not see either of these

anabilities.

hy a simple majority in the lower house, and then require a two-thirds majority for it to be passed. And though he himself can be impeached for treachery or very serious crimes, these do not include

breaching the constitution. He needs the lower house's approvat for appointment of the chairman of the central bank, and upper bouse approval to appoint the chairmen of the main law courts. But all of these chairmen are then guaranteed independence. The two houses of parlia-

ment - the Council of the Federation (upper house) and the State Duma (lower house) -

will, at least initially, he under imminent sentence of fresh elections at the end of 1985. Although the deputies will he elected to the upper house

this time round, after the first two-year period they will be appointed. Each of the 89 republics and regions will send two appointed members to Moscow, one from the local administration which is appointed by the president) and one from the tocal parliament.

Deputies have the right to initiate and to pass legislation - which can be vetoed by the president. But they do not, apparently, have the right to consider, much less block, presidential decrees, which can be issued by the president and must only conform to the con-

Presidential decrees have been the backbone of new leg-islation passed since the abolition of the old parliament in September: it seems likely that that tradition will continue.

Neverthetess, in an evident effort to mark a complete break with the Soviet past, the constitution is reptete with

It is the charter for e strong president - but it is assumed he will also be a liberal one.

Rexrodt presses for deal on E German steelmaker

MR Gunter Rexrodt, German economics minister, today will try to cajole the European Union's industry and competition commissioners into agreeing plans for the future of Ekostahl, the east German steelmaker.

The Treuhand privatisation agency wants Riva, the private Italian steelmaker, to huy 60 per cent of Exostahl, and invest in the construction of a hot-rolling mill. But Mr Karel Van Miert, EU

Ekostahl to offset the addition ducer, at their meeting today. of the new mill. Mr Van Miert and Mr Martin

Bangemann, who is in charge of industry policy, are keep to limit state subsidies to publicly owned steelmakers and to cut capacity to relieve pressure oo the industry throughout the member states. They will meet Mr Rexrodt in Brussels today to discuss their difficulties with the Ekostahl case.

A spokesman for Mr Van Miert said yesterday that the full Commission would consider both the Ekostahl case competition commissioner, is and the Italian authorities' understood to be insisting on plans for restructuring of IIva, further cuts in capacity at the loss-making state steel pro-

But it is almost certain there will not be euough time to prepare for a formal decisioo oo the controversial subsidy cases at the meeting of EU industry ministers on Thursday next Mr Paolo Savona, the Italian

industry minister, added to the confusioo yesterday when he threatened to press ahead with restructuring of liva if the Commission was not more flexible. Mr Savona told the Italian parliament the government would complain to the European Court of Justice if the EU did not make concessions on

Strike over job cut plans paralyses SEAT plants

THOUSANDS of SEAT motor their production facilities - in workers shut down assembly lines yesterday in their third strike in protest at job cuts at the company's Zona Franca plant, AP reports from Barce-

Unions called the 24-hour strike in opposition to plans by Volkswagen, SEAT's owner, to stop producing vehicles at the in areas such as peacekeeping. officials confirmed that all 19%, but has seen its subsid-

Zona Franca, Pampiona, Martorell and El Prat - were paralysed by the walkout. The unions also called oo

workers at SEAT dealers and suppliers to stop work, but it was not immediately known how widely that call had been VW purchased SEAT from

iary's sales decline sharply. Sales plunged 19 per ceot in the first 10 months of this year. Losses are expected to reach

Pta100bo (\$763m) this year. The company has said it wants parts suppliers to con-vert the Zona Franca plant into an industrial park. It is not clear how many suppliers will accept that invitation nor how

Ciampi speeds intelligence service reform

By Robert Graham in Rome

REFORM of Italy's much discredited intelligence services had to be carried out before the end of the year, Mr prime minister, told parliament yesterday. The tight timetable under-

scores the government's con-cern about the damage being caused by an ever widening intelligence funds and a deliherate campaign by members of the intelligence community to denigrate ministers as well as President Oscar Luigi Scalfaro.

The scandal took a new turn yesterday when Mr Alessandro Voci, head of the domestic intelligence service (Sisde) from August 1991 to July 1992, resigned as special administrator of the dissolved Rome city council following allegations of involvement in misusing Sisde

Mr Ciampi proposed last month to merge domestic intelligence (Sisde) with military intelligence (Sismi) in e single body controlled directly by the cabinet office and answerable to parliament. But he is handi-capped because the shake-up of so sensitive an area requires a broad political consensus and was oot part of his brief when he agreed to become premier in

The reforms risk provoking a controversy with the Christian Democrats who bave cootrolled the interior ministry responsible for domestic intelligence - since 1946. This is the only portfolio to have beeo held by one party throughout the post-war era.

Mr Ciampi revealed that fuoding for the intelligence services had been L696bo (£289m) in 1992, of which L359bn was on a secret unaccountable basis. This year the budget is expected to be

Until now, these funds have been spent without any accountability, and more than 14 former Sisde employees are syphoned off money for their bids such payments.

Rome police have nncovered vet more wealth accumulated by Mr Duilio Poggiolini, the senior health ministry official from whom more than L200bn (£83m) in assets has been seized because it is alteged they originated from hribes. writes Robert Graham in

The latest banl included some 60 modern paintings and L10bn concealed in a large living room poutf in one of Mr Poggiolini's Rome apartmeots.

The find follows the arrest last week of Mr Poggiolini's wife on charges of assisting her busband in collecting bribes from pharmaceuticat companies. Her arrest also ted to a scare that she had been involved in ellowing suspect plasme to be sold. However, the health outhorities this week discounted suggestions thet infected plasma bad been

In another development police announced they were stepping up the search for Mr Oliviero Prunas, depoty chairman of the state-controlled Banca di Roma. He is wanted for his alleged involvement in the Enimont affair, the politically sanctioned sale in 1990 at an inflated price of Ferruzzi-Montedison's stake in its joint chemicals with Eni, the state oil company.

Mr Pruoas is the third banker linked to the Enimoni affair which produced kickbacks totalling L150bn.

own purposes.

An equally serious allegation being investigated by Rome magistrates is that part of these secret funds were used to supplement senior officials expenses. Two former interior ministers and Mr Nicola Mancino, the current minister, are due to give evidence to oragistrates today on this issue.

A further allegation is that secret funds have been used to pay kidnap ransoms at politi-cally sensitive oroonents.

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INVESTING IN SOUTH AFRICA

Africa's biggest bank stands ready to finance a post-sanctions S.A.

Doug Anderson, Managing Executive, Treasury and International Banking of Amalganued Bank of South Africa (ABSA) talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: How did ARNA come into being? What form does it

Anderson: ABSA stems from two directions. ABSA Directains into being early in 1091, when I misel. Alleed congonally both building sometices and volkskas tracommercial transfer medical building bedded down when a year later, MISA Two

The deal had barely bedded down when, a year bare. ABSA Two was created when ABSA I his bought control of Bartory or commercial and general banking group!

So ABSA today is a combitation of two large former building staketies twhich explains only ABSA has an unusually large 40 persons does not have form more form market, two maps clearing barts in the form of Volkskas and Irise Barth, and two speciality barts, ABSA will continue to use these brand nature, since they each represent a particular market make in the corporate and international building spheres we turn from under the ABSA name. ABSA is Africa's bugs of bath, with total assets in excess of R80 billion, employing some \$7.000 people. So we've become a standard engage at and, was total assets in every become a standard engage. stantile organisation, even by international standards. Recently ABSA successfully raised the first perfort at R1 billion convertable subsidiarial debt some at a take approximating the Government rate. As a result, we envisage no binitation on our ability to write new business for a good number of years annother future.

Spira: What of ABNA's foreign operations?

Anderson: They're based primarily on the principle of satisfying our clients' needs. In other words, we establish a lareign base when the volume of foreign transactions is adequate to justify our

when the volume of protein fransactions is alrequire to protein one doing so.

There are two ways of servicing one's elients in a foreign environment — by senting up operations at particular points or by continuing to use the wide correspondent benking network that we've built up over many years. In the former entegory is our London office, established 10 years ago and with a staff of clove to 40. In Horg King we have a wholly-owned sub-uffary and we recently opened a representance office in Frankfurt — an indication of the magnitude of trade that flows between our clients and Germany.

Spira: What is ABSA's involvement in Africa'.

Anderson: For a number of years we've had people going up into Africa, setting up relationships and getting to know what's going on in those countries so as to advise our clients a comprehensively as possible. hanisms we've been able to fulfil a function

ave their own offices there. Accordingly, we don't feel at a distativantage. If we did set up permanent offices in Africa, we'd do so on a

Spira: What is the outlook for foreign banking in the wake of the abolition of sanctions?

Anderson: There's little impact as far as Africa is concerned. Anderson: There's little impact as far as Africa is concerned. South Africa's trade with Africa has long been based on programation. If African countries needed goods and services from South Africa, they found ways and means of doing business. Although the last of the sanctions were officially dismantled a few weeks ago, in effect trade sanctions were removed some while back. So trade with Africa has been more a function of the millioners of South Africa has been more a function of the willingness of South African exporters to take fish, because fixed all African countries have an undoubted ability to meet their

While South Africa has been welcomed back into the community write South Africa has even weakered tax into the community of mition, that doesn't mean the United States thing an acke and market for South Africa) will yield positive economic results for es in the near term. The Americans temain continus in their

us in the near term. The Americans remain cantious in their attitude towards South Africa.

The comments made to me during meetings in Washington at the recent IMF/World Bank gathering boil down to one critical issue—stability. Until the Americans perceive that there is stability in South Africa, there's noing to be contion. The question of violence is the one single factor that creates the greatest contern among all to whom I've spoken.

As for Western Europe, sanctions were virtually litted 18 months to two years ago. The rapid the volume growth in our expons-

tells the story. And I'm (a)t only referring to menals and minerals but also to manufactured goods, in total, near-handred exports now complise woke 25 percent of our total exports. Western Europe has been and will remain an active market for us. The Far East is going to be of uncerasing interest to South Alma, mainly because the lifting of sanctions there has been more recent. Most Far Eastern antimes are now Hying to South Alma and I always regard this as a forerunner of what's likely to take place in the form of trade. So trade with the Far East will grow and that's why A0SA is confident about its operation in Hong Aring. It gives us a springboard into that whole South-East Asian market — not to mention China.

Spira: How do you see the South African reconnty evolving in the next year or two?

Anderson: I think we're close to the bottom — if we haven't already bottomed out. But the receivery is more likely to be squeer-shaped than vestaged. We're very much in the hands of what happens in the rest of the world. what happens in the rest of the world.

Encouragingly, an apite of the depressed global economy we've managed to boost our exports. But you get to a stage when you need corressed global activity in achieve turnber growth. And nebt now the world economy looks perty shoppy.

Many are expecting a boost to economic growth to come from 15th and World Bank funding Yes, we'll get the \$350 million for which we've applied from the 1MF, but that II go toward exposing debit; it won't raise the level of our reserves, which will only improve as a result of an increase in world trade.

So I would expect links economic growth in South Africa next year, with worthwhite growth likely to come only in 1990.

Spira: When will the financial rand be phased out?

Anderson: The financial rand is a political rand. It is the huffer which takes the pressure off the commercial rand. With the uncertainty in the country—uncertainty which will probably continue for another 12 months or so —if you did away with the financial rand you'd pull the commercial rand right down to the level of the financial rand. Even then, you'd not step the continue of country become other than proportion of the state. the outliew of capital, because there are enough people at this stage who, given the chance, would rather invest their wealth

The financial and is therefore a lid which we cannot allord to lift at this stage. We samply don't have the reserves to allord such a tions. The best one could hope for is that as the gap between the two currencies narrows, as the polarical situation stabilises, they would converge to a point where the linancial rand could be scrapped. But I can't see that bapyening for at least the next two

Spira: Has ABSA overcome the problems that inevitably arose in the wake of all its merger activity?

Anderson: As part of the rationalisation process, we trimined our staff by 5,000 people. Producably, this had an adverse impact on staff morale. We've now reached a stage at which staff changes will occur by material attrition only, and we're now seeing an improvement in morale throughout the organisation. Enormous progress has been made in a relatively short period of time, but a would be wrong to suggest that we've solved all the problems. The systems difficulties, for instance, will take us another two years to resolve his a major task. We're working hard out this and other problems.

Spira: Has ABSA gained or lost market share in the past two

Anderson: Overall, we've lost market state.

The retail side of our business the largest partillas slipped marginally. But with 40 percent of the merket, it ten't feasible—not, perhaps, desirable—to expand our share of the market here.

Our share of the corporate market is not what it should be. It is the percent and if you look at our relative size, it should be a lot higher, it's an area that's recovering much of our artenator. Taking the two groups IAbsa One and Two] separately, we were comfortable with the individual exposures, but when we brought them together, we found exposures which were eccessive. So we downstized fuir exposures to more prudent levels, in the process.



tising nativer state. Then, two, while ABSA was inwardly-to-cased, our compeniors did their level best to secure additional market share and, to a degree, succeeded in wideling. All this led to a decline in market share as a whole. It isn't something that can be restored overnight, but we're working on

Spira: How has ABSA faced in the black market? Anderson: ABSA has a bigger share of the black housing market

Ambiersoria (2012) has a ringger many or me coase making my of them my of its competitions. It basis's happened by design. If the client is creditworthy and the application justifies the granting of a foat, it is done on the mention the case, not on the basis of colour. That is how we let returned. The black trarket is an important one and it will grow, but it has to be approximated with the same degree of prindence as any other model or matter.

to be approached with the same degree of prudence as any other market segment.

ABSA has played a leading ride in promoting and assisting with the recent establishment of South Africa's first nutrial bank, the Community Bank of south Africa.

Established in terms of the Matual Banks Act recently published in Parliament, it will ultimately be owned by its members. Its close interface with the black community will put it in an appropriate position to provide banking services to this segment.

Spira: What is ABSA doing in terms of affirmative action?

Anderson: ABSA has a clear stance on affirmative action and a firm commitment to adjust the composition of its stall to racet the requirements of the market place. Our programme is based on the

All individuals must be treated as inclividuals

Diversity is an asset which can be managed to produce more creative and sound decisions.

A9\$A's minatives to uplift previously disadvantaged groups

A national, three-year banking diploma developed in conjunction with the Was Technikon, to be extended to other technikons.

technicus.

An oa-the-p-roand formally-raught banking apprenaceship.

The three-year programme will equip school-leavers to work as bank cherks with a troubly-based knowledge of the total

banking environment. The AOSA-Nevus bridging programme in which matriculants with matthematics and commercial subjects are selected twice of year to attend a systmonth course to prepare them for a ph with ABSA, which costonieses and oponsors the programme.

with Aris.A, which costomices and spots of the programme, ABSA is participating in various scheme, for people who have been disadvantaged for example, we have just that a group of black supervisors telloral from a successful framing programme in New York. We have invested heavily in a wide range of training and

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MHERE BIG EUSINESS IS MOVING

"I work in premises tailor

Militants win biggest bloc in Jordan poll

Mr Yassir Arafat, the

Palestine Liberation Organisation chairman, said

would sign a "friendly

to Brussels, told a news

yesterday Jordan and Israel

ngreement" within the next

few days. Our Foreign Staff

writes. Mr Arafat, on a visit

conference: "Jordan is going to sign, within a few days, a friendly agreement with

Israei." He gave no further

Jordan's prime minister

Abdul Salam al-Majali said

already have our agenda with

is a long way off." Jordan has

mectings with Israeli officials

agenda with the Jewish state on 14 September in

in Zarqa, the biggest of Jordan's 20 voting districts. In

Amman's poverty-stricken First and Second Districts,

Islamic candidates dominated

More surprisingly, in the

Third District of Amman,

which is bome to Jordan's

intelligentsia and bourgeois

èlite, a popular fundamentalist

and member of the Islamic

Action Front, Mr (brahim Zeid

Kilani, topped the ballot with

9,131 votes, followed by the for-mer prime minister, Mr Taher Masri, who received 8,789.

Most other parliamentary

seats went to independent

tribal caudidates in rural areas

where a vote for the tribe is

more important than a vote for

Out of the 15-or-so political

parties standing, aside from

the Islamic Action Front, few

candidates won seats under

party banners. Political parties

35-year ban.

the voting public.

were legalised in 1992 after a

A plethora of parties regis-

tered for the elections, but

most were ill-organised, lacked

any coherent policies, and

failed to be taken seriously by

Islam or any other ideology.

in Amman, however: "We

Israel and a full agreement

consistently denied secret

since it signed its peace

Washingtoo.

the polls.

By James Whittington

JORDAN'S Moslem fundamentalists vesterday retained the largest bloc in par-liament following Monday's multi-party elections hut suffered a decline in the number of seats they hold.

Voters elected 16 candidates to the 80-member parliament from the fundamentalist party. the Islamic Action Front, (22 in the 1989 elections). Turnout was 68 per cent of the 1.2m voters who collected their vot-

ing cards. The result is a victory for King Hussein who urged the electorate to show moderation in choosing their representatives. It vindicates the king's policy of accommodating Mos-lem fundamentalists in the political system rather than excluding them as in Algeria and Egypt. The king said the elections made Jordan "an example for others near and

The new parliament, due to convene early next month . consists of mainly tribal and centrist MPs without party affiliations It is likely to offer strong support to the government in all policies including the peace process, which is rejected by the Islamic Action Front, It will also include Jordan's first woman parliamentarian, Ms Toujan Faisal, an activist branded by fundamentalists as an apostate.

The fundamentalists will have less lobbying power in the new parliament, but the elections were not all bad news for the Islamic Action Front. Its candidates had particular success in Jordan's main nontribal urban areas of Amman and Zarqa, where high unemployment and poverty makes them perfect breeding grounds

for radicalism. Ooe of the Front's candidates standing in Zarqa, Mr Bassam Emoush, received the highest number of votes. (9,316). The Islamic Action Front took three of the four seats designated for Moslems

Arafat upbeat on peace prospects

By Lionel Barber in Brussels

MR YASSIR Arafat, chairman of the Palestine Liberation Organisation, vesterday invoked the European Commuulty as a model for securing peace and stability in the Mid-dle East. On the second day of his

visit to Brussels, Mr Arafat combined an upheat assessment of the prospects for peace between Israel and her Arah neighbours with a fervent plea for financial and economic aid for the occupied territories

He held talks with the King of Belgium and the European Commission, as well as giving a speech to the foreign affairs committee of the Belgian parliament. Throughout, he was accorded the status of a head of state.

sion President, made clear that Brussels regards the newly created Palestine National Authority as a quasi-government in Jericho and Gaza, the two areas due to win local autonomy under an agreement with Israel. The PNA would be the European Union's chief interlocutor in the urgent task of channelling aid, he said.

Mr Delors said European financial aid should be concentrated in three areas: infrastructure; creation of a Palestinian security force, and emergency food aid. Long-term plans for creating a zone of stability would have to wait.

Mr Arafat was a model of self-control throughout an hour-long news conference until asked if the absence of his pistol suggested an effort to cultivate an image of peace. What will convince you if the agreement in Washington (with Israel) is not enough?" be cried. "We bave made a breakthrough. We are paying the price of peace with the price of our blood,"

The PLO leader criticised extremists on both sides" for prolonging the Arab-Israel conflict. But he declined to support calls for an early lifting of the Arah boycott of Israel, suggesting it should await a comprebensive peace settlement.



China seeks new phase in relations with US

By Tony Walker in Beijing

CHINA yesterday called for a new approach to Sino-US relations, describing next week's summit between the presidents of the two countries as a possible turning point in the vexed

Mr Qian Qichen, China's foreign minister, said the leaders' gathering at the Asia-Pacific Co-operation Forum to be held in Seattle from November 19-20 was an opportunity for the two sides to put their relations on a more businesslike basis. Presidents Clinton and Jiang

Zemin are due to meet on November 19. It will be the first meeting between leaders of the two countries since before the Tiananmen Square massacre of June 1989 ended high-level contacts. Mr Qian's remarks, in which

he stressed the need for rela-tions to be placed in a longerterm perspective, point to China's wish to set nagging prob-lems over arms proliferation and human rights in the context of the hroader relation-

Chinese officials believe a preoccupation with human rights is stopping relations between Beijing and Washing-ton reaching their potential. Officials have voiced strong objections to the US linking human rights and trade issues, especially the renewal of Chi-na's Most Favoured Trading

Nation status. But Mr Clinton is certain to make the point forcefully that China must continue to improve its human rights record to ensure MFN renewal. US officials, including Mr Warren Christopher, secretary of state, have stepped np their warnings to the Chinese that MFN cannot he taken for

The World Bank has estimated that loss of MFN, with its preferential tariffs and quotas on a whole range of items, would cost China \$7bn-\$15bn

Mr Clinton said earlier this year when he extended MYN for another 12 months that a further extension would require "overall, significant progress by China" in human

rights.
The US also wants improvements in the treatment of prisoners in Chinese jails. It is seeking "access to Chinese prisons hy international human rights organisations" such as the international Com-mittee of the Red Cross (ICRC). China has always opposed inspection of its prisons, claiming this would constitute unwarranted Interference But Mr Qian indicated a possi ble softening.

Steps taken recently by the Clintum administration to improve relations include the despatch of senior officials to Beijing. Mr Mike Espy, agricul-ture secretary, is the first cabi-net official to visit there since

UK faces hard choice on Hong Kong

WHEN a British cabinet committee overseeing policy on Hong Kong meets this morning, it will face a choice: to keep talking to China about the colony's political development in the hope of an agreement, or to go it alone with Governor Chris Patten's plans for

expanded democracy.
In 15 rounds of talks in Beijing over six months, there have been few signs of progress. But with Mr Patten's oft repeated warning that he will soon have to start putting electoral arrangements into law in time for elections next year and in 1995, China has hinted it may be prepared to agree to the less contentious aspects of his proposals.

An offer to settle on issues such as the voting age and local government elections has not been formally made. But officials indicated yesterday that it would probably be enough to prevent Britain from deciding to break off talks immediately.

However, ministers will demand that the next round of talks, scheduled to begin in Beijing on November 19, produces concrete evidence from the Chinese side that it wants to reach an agreement. "It's essential that China does something in the next round of talks." a senior Hong Kong official said.

Simon Holberton reports from Hong Kong and Alexander Nicoll from London

Before that meeting, Britain will inform the Chinese government of the outcome of today's deliberations, which will be chaired by Mr John Major, the prime minister, and attended by Mr Douglas Hurd, foreign secretary, as well as Mr Patten.

Officials said China's latest move raises the possibility that some electoral arrangements could be put into law in Hong Kong while discussions on the most contentious issues continue in Beijing - though it is not known whether China would accept this.

This would provide some extra time for negotiations, though Mr Patten has repeatedly said the electoral plans must be put to legislators soon in order to be ready in time and that this is a matter Officials in Hong Kong say the talks can only survive beyond the next round if Beijing can hold out the prospect of a workship deal on the main parts of Mr Patten's plans for broadening the fran-chise in 1995 elections to the 60-strong Legislative Council (LegCo), the colo-

ny's law-making body.

This means allowing broader voter participation in 30 "functional constituencies" which represent business and professional groups, and a democratic structure for an election committee which will elect 10 LegCo members. Britain is also insisting on a "through train" - that LegCo members elected in 1995 would serve through until 1999.

Mr Patten has made clear that he regards avoiding what he calls "rigged" elections in the functional constituencies to be of paramount importance. Officials fear that failure to expand the franchise would provide China with an easy method of controlling LegCo and that it would lose any semblance of an independent legislature.

However, China has made equally clear its opposition to such changes. Mr Lu Ping, director of its Hong Kong and Macao Affairs Office, said: "We want no change. That (functional constituencies) was an idea given to us by the

British and we accepted it. We want it to be done exactly as it was done

For Britain to go it alone - to seek to have electoral arrangements passed by LegCo without an agreement with Chi-na – would be a painful choice. It would mean ditching the policy of trying to ensure that arrangements survive the transfer of sovereignty from Britain to China in 1997. China has threatened to overturn anything Britain does to Hong Kong's political system which does not

have its blessing. Breaking off talks would also mean Hong Kong's hopes of building its new airport and developing its container

port facilities would be put on hold. Although Mr Patten's personal popu-larity is still high, there is little consensus within the community about the appropriate course of action for the British cabinet to take. Hong Kong wants more democracy, but it also wants tranquil relations with Belling.

Past words and deeds of Chinese offi-cials suggest that they are sensitive to oninion in Hong Kong as well as to the timetables set out by Mr Patten. Next week's talks in Beijing could indicate whether they will remain so. See Editorial Comment

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Section 58 of the Insolvency Act 1986 that a ricating of creditors will be held at The Ramada Horel, Oxford Food, Randing, Barks RGJ 7RH on Folday, 12 Navcember 1993 at 10.30 at a., for reditors withing to your at the meeting

redillers wishing to vote at the meeting must holge a Proy, tory-the, with a stagement of their derit, at the offices of Rubon Rhodes this City Road, Loodon ECIV 2NU on Lifer than 12m hours more of Thusday, 11 November 1993, A last of the names and addresses of the 2017 on 111 and 11 November between the hu Dated this 3rd day of November 1993

IN THE MATTER OF REINHOLD OVERSEAS HARLEY) LTD REINHOLD (KINKS CKOSS) LTD REINHOLD KNEBWORTH LTD

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RESINOLD INNES WIFT IT IT AND THE INTERPRETATION OF THE INSIDE VENTY RULES 1996 In accordance with Rule 4, 106 of the Innestweet Patter 106 notice is been by given that Virian Mutras Bainston and Richard William Lames Lung of Robon Rhades, 160 City Road, Lordon Et. IV 2NU were appointed Joint Liqualitys of the above named companies by the members and excitates on 25 Optober 1993.

Dieta 108 48 that of Remother 1094

IN THE MATTER OF TRIO HOLDINGS PLC

IN THE MATTER OF THE COMPANIES ACT 1485

THE COMPANIES ACT 1485
NOTICE IS HEREBY GIVEN that the Order the High Court of Justice (Chamery Orvision dated 13th October 1493) confitting in concellation of the Share Permini Account the above named company of \$12,362,454 at the Manage approved by the Court showing to respect to the capital of the Company as after the coveral particulars required by the above means and Act were replaced by the Registra of Company and Science and Science (Company as a Company could be supported by the Above means and Science (Company as Above 1897).

IN THE HIGH COURT OF JUSTICE No. 009401 of 1993 CHANCERY OFVISION COMPANIES COURT

IN THE MATTER OF TENDCLASS LIMITED IN ADMINISTRATION AND IN THE MATTER OF THE COMPANIES ACT 1985

AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an Order dated 9th November 1993 made in the above matter, the Court has directed a Meeting to be convened of the Schame Creditors is a deflect in the Scheme of Arrangement hereinafter morationed of the above-named company (hereinafter called "the Company") for the purpose of considering and, if though fix approxing (with or without medification) a Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and that such meeting will be held at No 1 London Bridge, London SE 1901, England at 11 a.m. I London unto our and December 1993, if which place and time all such Scheme Creditors are requested to attend.

at which place and time all such Scheme Creditors are requested to attend. Any person outlitled to attend the said proteing can obtain copies of the proposal for a Scheme of Arrangement under socion 425 of the Companies Act 1985 I consuming an explanatory surransent required to be formeshed pursuant to section 426 of the above-mentioned Act and the text of the proposed Schemel and a form of proxy from Price Watchouse [Ref. KIP). No I Loudon Bridge, London SEI 1971, England during usual beamers hours on any day totar than a Saturday. Sunday or Bank Holiday is prior to the day appointed for the said Meeting. The said Scheme Creditors may note in person at such Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place. To be valid, forms of proxy must be lodged with the Administrators of the Company at Price Waterhouse (Ref.: KIP). No 1 London Bridge, London SEI 1970, England, no have that it is am. (London time) on 2nd December 1993 but, If not so ledged, they may be submitted at the said Meeting. By the said Orden, the Court has appointed Jonathan Gay Ambony Phillips or, Lailing blun, Andrew Mark Homan or, failing binn, Alan Rea Dakziel Jamleson or, failing blun, Colin Graham Bird to act as Chairman of the said Meeting and has directed the chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court Oared this 10th day of November 1993

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leggers have no quality about deproyen other trees that stand on their way. So a WWF project on Costa Ruca to

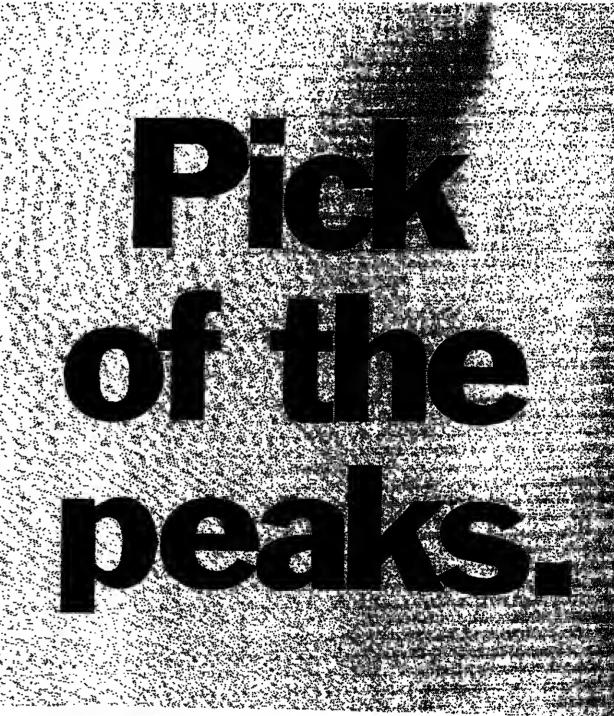
researchess wave of felling a tree wethous bringing down veveral others around at much through the surrounding over. If the randorers are used wastly, they

ere be used timever. Help WWF prov the m melorese around the world by writing to the Membership Officer as the aktes below



World Wide Fund For Nature Marzens Marid Weights Fundi weed Secretaria, 11% Chief Sec

IN HUMAN RESOURCE FIELD IN HUMBUN KEDUNKE FIELD WE are not of the him carden con-sultant out of the him carden con-sultant out of the him carden of the said Canada in Canada for more than 50 parts are not seek consists in the US and Europe Our principal and be in Canada Thompset (5 – 18 Only consess are fixed public out also control and the consession of the fixed FAX: 010-1-407-451-0234



On Saturday, November 13 the Financial Times will publish Pink Snow, a unique guide to the world's best ski resorts.

it will include FT readers' own views on resorts and tour operators, given in response to our wide

You'll find all you need to know about equipment, clothing and where to get the best insurance deals. There will also be articles on aking in the USA, the most exclusive hideaway ski chalets and mountains of similarly invaluable insights.

So don't even think about a skiing hollday this winter until you've had a peek into Pink Snow. Pink Snow: The FT Guide to Skiing.

Weekend F1

the start of this year.

The report, "The State of the World's Refugees", says the numbers refer only to those whn have become internationally recognised refugees by crossing an international borrossing and international borrows. der. At least 24m are "displaced persons", who have fled their homes but are still within the borders of their own countries. Taking thuse into account, "roughly one in every 130 people on earth has been forced into flight".

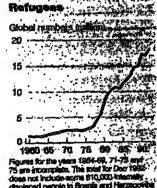
Increasingly, UNHCR is involved in trying to protect internally displaced people as well as transnational refugees (the operations in northern fraq and Bosnia are the best known examples). But its concept of prevention, outlined in the report, goes much further. While continuing to insist on the right of refugees to asylum (UNHCR's traditional focus). the report recognises "the climate of receptivity for refugees has cooled in many asylum

countries". The causes of refugee movements must now be addressed, it says, or the foundations of international protection could be "nverwhelmed, if only by sheer numbers of claimants"

UNHCR has adopted a strategy of "comprehensive response" which, instead of simply protecting refugees after they have fled, seeks to address all the problems which cause them to flee, and which make it difficult or impossible for them to go back, Examples described in the report include the "plan of action" for Vietnam, the "success story" in Cambodia and the "integrated approach" in Tajikistan.

This strategy emphasises "the need to strengthen the state's responsibility for its own citizens", with human rights "the link between state responsibility and the international agenda" State of the World's Refugees.

Penguin Books, £8.99/\$14 See Foreign Affairs column



economy, reversing its previously optimistic assessment that the country was "poised" for recovery. The agency, responsible for set-

JAPAN'S Economic Planning report pointed to falling retail sales and capital spending as signs of contile evidence of an upturn in the dinning economic weakness.

Agency officials said yesterday and capital said yesterday agency officials said yesterday. said for six months that recovery doction, and the economy is "gener-was imminent, but its November ally sluggish".

ernment that the sudden fall in March was likely to fall 9.9 per cent months and demand for private housing would remain strong.

bousing starts rose 10.8 per cent in September, compared to a year earlier, but most other sectors are still ting Japan's growth targets, has in decline, including industrial pro-

The EPA had said earlier this year the economy was "bottoming", but indicators have continued to show a weakening of economic activity, which the agency has blamed on the appreciation of the yeo and an unusually wet summer There is concern within the gov-

will burt husiness and coosumer confidence, which is particularly weak. New car registrations in October were 6.8 per cent lower than a ter, said the EPA's gloomjer forecast year earlier and slipped 11.7 per

ceot from September. An EPA survey found capital

Tokyo stock prices in the past week on last fiscal year, as most Japanese companies are looking to reduce. not expand, production capacity.

Mr Hirobisa Fujii, finance miniswas not reason eoongh to consider another stimulative package for the economy. He said poblic works speoding would rise in coming

housing would remain strong

EPA officials concede their target of 3.3 per cent growth in the year to March is well out of reach, though the agency has yet to release a new estimate. It has described the official estimate as "a high target to encourage effort" rather than a

Ozawa claims he is misunderstood

By Robert Thomson

IN DENYING allegations he accepted illegal donations, Mr Ichiro Ozawa, the powerbroker who cobbled together Japan's coalition government, yester-day portrayed himself as the misunderatnod reformer, unfairly perceived to be most comfortable in the murky shadows of the political back-

"I am always supposed to be in the backroom. I am said to be hiding behind the curtain, said Mr Ozawa, smiling as he deflected allegations that he regularly received Y5m (£31,000) from Kajima, the construction company at the centre of Japan's latest political

Mr Ozawa admits receiving Y5m last year before defecting from the Liberal Democratic party but says he did not vio-

late political funding laws that he wants toughened as part of political reform. But the case has rekindled public doubts about a politician who thrived in the old system, and is lead-ing the charge for the new. "People should not read too

much into my actions," he said. "I am secretary general of the Japan Renewal party and I was the LDP secretary general. don't have a ministerial position, but I can say what I like in this position."
The fresh allegations have

distracted attention from the political reform debate, which Prime Minister Morihiro Hosokawa fears is veering off course. Mr Hosokawa has indicated he will resign if four bills containing the reforms are not passed this year, and the harsh spotlight on Mr Ozawa has not

LDP officials said yesterday representation and single seats

they wanted a "thorough" debate on the current batch of scandals and would like to call witnesses from the Ministry of Construction. Mr Ozawa could also be called to give evidence to parliament.
The LDP's oew-found con-

cern about corruption is cited by Mr Ozawa as a sign that it is trying to find excuses for not agreeing to political reform. He says "the contents of their stomachs" do not match LDP officials' public statements on reform.

"Leaders of the LDP say they are in favour of political reform, but their real feelings are different. They have 21 complaints but basically these are technical matters, and I find their opposition quite mysterious," Mr Ozawa said. LDP faction leaders fear the

new system of proportional

will undermine the old system of patronage cultivated under multi-seat constituencies, which encouraged competition and corruption within the party. But Mr Ozawa says be is confident that younger politicians will defect from the LDP if reform is brought to a parliamentary vote next week.

"Political reform will definitely be decided this year. If We want a happy new year. then we have to conclude negotiations by then." Mr Ozawa said. If things don't go according to plan and the LDP is able to block the hills' passage, theo "we will ask for the judgment of the people," meaning that another election will be called.

"Of the LDP's 21 complaints, 80 to 90 per cent could be solved in an hour," Mr Ozawa said. There are four "real prohlems": redrawing boundaries; candidates selected through local constituencies and proportional representation; whether voters should have one or two votes; and the banning of corporate political

"We are willing to make concessions, so there is no reason not to reach agreement," he said, denying that the Social Democratic party, formerly the Japanese Socialist party, a coalition member, is also opposed to the reforms. There are a few doubters in the SDP. he suggests, but not enough to undermine the legislation.

"Having democracy doesn't mean that everyone has to agree." he said, referring to the Japanese love of consensus. "It is a part of democracy to make a decision. We have been discussing reform for five years, and the time bas come to make



Ozawa: 'People should not read too much into my actions'

to review security

By John Burton in Secul

THE SOUTH Korean government will hold a meeting today to review security on the Korean peninsula as offi-cials warn that time is running out for North Korea to resolve the nuclear inspection

eports from the US and Japan that North Korea is massing forces along its border with South Korea and a warning that the US would defend South Korea if it is attacked.

But the US said on Monday

nver the next few weeks if the UN Security Council considers uposing economic sanctions on North Korea for violating nuclear safeguards. The US has said it could refer the nuclear issue to the UN Security Council "within days".

S Korea

The meeting, headed by President Kim Young-sam, will analyse military developments in North Korea, South Korean defence measures, and ways to resume talks with Pyongyang and possibly break The conference comes amid

from President Bill Clinton

umusual military movements by the North Koreans, who normally station two thirds of heir army along the frontier with South Korea. Seoul is concerned that military tensions will increase



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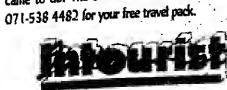
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CIA knew of BNL loans to Iraq, says former banker

MR Christopher Drogonl, the former Atlanta banker et the centre of America's arms-to-Iraq scandal, yesterday alteged in congressional testlmooy that US government officials, including those working with the Central Intelligence Agency, were aware of hillions of doilars of Iraqi loans he had extended on behalf of Italy's

Banca Nazionete del Lavoro. The former BNL Atlanta hranch manager, who was brought to Washington yesterday morning from prison in Atlanta, also named for the first time BNL executives in Rome who he said knew of and epproved his Iraqi dealings.

BNL Rome has denied repeatedly it knew of, or anthurised any of, Mr Drogoul's secret loans to Iraq. The House banking committee

has spent the past three years probing whether or not the BNL Atlanta toans, which helped finance Baghdad's nuclear and chemical weapons projects, were part of covert aid to trag by the Reagan and Bush administrations. Yesterday Mr Drogont claimed the BNL Atlanta branch "was no more and no less

than a tool of the US government". Mr Drogoul cited a dinner he attended in Washington with Iraqi before the November 1988 presidential election. He said he heard the Americans tell the Iraqis to sign up quickly for more US loan guaran-tees because "if Dukakis defeats Bush, the Democrats will cut you

Mr Drogoni also said that in a 1989 meeting with Iraqi central bank officials he was told not to worry about his lending "because

He also disclosed that Mr Wafai Dajani, a Jordanian middleman in the BNL loans affair, "confirmed to me that he had an ongoing relationship with the CIA, the State Department and the US Department of Agriculture."

Mr Drogoul has agreed to plead guilty to three minor charges

we have been working with the CIA and US intelligence for a number of years".

He also displaced that the CIA instead of facing a trial that could have earned him life in prison. He said the Rome office knew his Iraqi lending was maintained off official books and named Mr Giacomo Pedde, the former BNL directorgeneral, and Mr Angelo Florio, former head of BNL's foreign division, as having known and approved of his Iraqi lending. When some members of the committee expressed

scepticism about Mr Drogoul's alle-

gations, he replied that he would make documents available shortly, including letters from US compa-nies to BNL Rome.

During his congressional appearance Mr Brogonl also said the Italian government had asked HNL Atlanta to help finance the purchase of Sidewinder missile components: "It was one of several transactions routed through BNL Aflanta by the Italian military."

harassment

By George Graham

THE US Supreme Court yesterday opened the door wider for employees to win lawsuits alleging sexual harassment at work.

The court reaffirmed its previous ruling that sexual harassment could be proved by a hostile or ahusive work environment, and overturned lower court decisions which also required an employee to prove severe psychological injury as a result of the harassment.

In a unanimous decision issued yesterday, the court reinstated a case brought by Ms Teresa Harris against her employer, Forklift Systems, in

Ms Harris complained that Mr Charles Hardy, Forklift's president, had subjected her to sustained verhal harassment, suggesting, for example, that she retrieve coins from his trouser pockets or go to a

motel to negotiate a rise in pay. A lower federal court had agreed Mr Hardy's behaviour was vulgar and offensive, hut said Ms Harris had not shown that her psychological wellbeing was seriously affected.

By making it clear that psy-chological harm was not an indispensable condition for proving sexual harassment, vesterday's ruling broadens the possibility for employees to hring harassment suits under a federal law known as Title VII. Justice Sandra Day

O'Connor wrote in the decision yesterday: "Whether an environment is 'hostite' or 'ahu-sive' can be determined only hy looking at all the circumstances. These may include the frequency of the discriminatory conduct; its severity; whether it is physically threatening or humiliating, or a mere offensive utterance; and whether it unreasonably interferes with an employee's work

Court rules on Brazil president seeks to restore credibility

By Angus Foster in São Paulo

BRAZIL'S President Itamar Franco, his government almost paralysed by corruption allega-tions in Congress, yesterday made an important gesture to try to restore the credibility of the country's institutions by ordering that anyone in an elected or official post should reveal their property and income before taking the joh.

The measure, which also applies to acting members of the executive, congress and judiciary, is the first time many elected and government officials will be open to scrutiny. The law is expected to come into effect soon.

President Franco's actions follow mounting concern among political leaders that corruption hearings under way, which are investigating allegations that a group of up to 30 politicians and ministers profited from fees and other payments channeled through the government's hudget, are undermining the credibility of all the country's leaders. So far one minister has

resigned over the acandal, which is thought to involve several million US dollars, and the bank accounts of over 50 individuals and organisations have been opened to scrutiny. Brazil's constitutional revision, seen as vital to solving some of the country's eco-

nomic problems, was stalled again yesterday hecause of political problems stemming from the corruption hearings. The rules and working arrangements for the revision. which were due to be approved several weeks ago, were delayed again after corruption allegations threatened to bring down Mr Ibsen Pinheiro, a leading politician and the elected "reporter" or senior

clerk for the revision. Mr Pinheiro, the former president of Brazil's lower house and an important leader of the country's higgest political party, the Party of the Brazil-ian Democratic Movement, is the most senior figure to be linked directly to the corruption hearings.

He was a leading figure in the investigation of separate corruption allegations which led to last year's downfall of ex-president Fernando Collor. Mr Pinheiro is alleged to have received ahout \$40,000 from another parliamentarian, Mr Genehaldo Correia, himself accused of receiving money from the alleged ringleader of the scheme, Mr Joso Alves.

Mr Pinheiro has claimed the payments were legal and trans-parent, although he has been unable or unwilling to rememher why he received the money. He has claimed the allegations have been made hy political enemies at a time when, hecause of excitement over the corruption hearings, it is difficult for individuals to prove their innocence.

Venezuelan

rights

conditions.



Christopher's action may lift foreign policy team

Department spokesman put it, 'had everything to do with his

view of the job and the secre-

tary's view of the job."

undermined pher, the US secretary of state, is e **HUMAN** rights violations have increased in Venezuela since 1989 to such an extent that man with the blandest of they call into question demeanours who normally the government's commitment moves with all deliberate to protect them, the Londonspeed. Only last week he was telling angry members of con-gress critical of his stewardhased Amnesty Internetional says in a report pubship of foreign policy that they should not mistake his courfished todey, writes Stephen

tesy for a lack of resolve. Security forces have On Monday night, culminat-ing weeks of deliberation, he "often responded with excessive and arbitrary force" to demonstrations protesting acted out of his public character by forcing the resignation of Mr Clifton Wharton as his deputy in the state depart-ment. Mr Wharton, as his bit-ter resignation statement made egainst worsening economic Two military coup attempts last year led to a suspension of

certain rights, including the clear, did not go willingly. rights to freedom of expression, assembly and peaceful The glib interpretation is Mr Christopher's action, taken Journalists have increaswith the full, if reluctant, ingly been harassed, ettacked approval of President Bill Clinton, is that the edministration and even murdered by the

needed e scapegoat for eign policy difficulties.

This hardly holds water, for

Mr Wharton, previously a uni-

versity president and pension

fund manager, was never a key

player in the foreign policy

team. Apart from minding the

fort while Mr Christopher was

away, his main duties were

bureaucratic and not exactly

central to the continuing prob-iems in Bosnia, Somalia and

Haiti that have brought the

administration so much grief.

Closer to the truth is the rec-

ognition that the "team" is not functioning optimally. With

the president expressing confidence in its leading lights - Mr

Christopher, Mr Les Aspin, sec-

retary of defence, and Mr

Anthony Lake, national secu-

rity adviser - changes had to

be made lower down.

security forces. Criminal suspects, particularly in poor areas, are routinely tortured. Trial proceedings are constantly and arhitrarily delayed, often far beyond legal limits.

Meanwhile, those whn violate human rights escape unpunished, it says.

Separatist swears his allegiance

QUEBEC separatist leader Lucien Bouchard swore allegiance yesterday to Queen Elizabeth II. Canada's formal head of state, desptte his avowed aim of leading his French-speaking province to independence, Reuter reports from Ottawa.

Mr Boochard had to take the oath to gain his seat in Canada's House of Commons and become the official leader of the opposition as head of its second largest party.

His Bloc Quebecois swept up 54 of Quebec's 75 seats in last month's general election, promising to lead the province to a referendum on sovereignty in 1995. The Bloc's success has placed new strains on Canadian unity and, ironically, earned the party the offi-cial title of "Her Majesty's Loyal Opposition".

Mr Bouchard has refused to live in the official residence of the leader of the opposition in the Canadian capital.

Guilty plea in Denny case

A defendant in the Reginald Denny beating case agreed to plead guilty to two misdemeanour charges and one felony count yesterday, in return for a sentence of lengthy probation, Reuter reports from Los Angeles.

Mr Antoine Miller, 21, served 17 months in jail while awaiting trial following the heating of Denny, a white truck driver, by a black mob at the start of last year's riots. R WARREN Christo-The relationship between Mr Christopher and Mr Wharton had apparently become personally difficult, or, as the State

> Mr Wharton's duties were mainly bureaucratic. writes Jurek Martin

Mr Christopher places great emphasis on team play, both within the State Department and in its relationships with other key departments. He has reportedly been concerned of late that though inter-ogency co-operation has not been bad (Haiti clearly excepted) it had not always succeeded in presenting Mr Clinton with agreed and coherent policy-options. He also thought access to the president was not what it

should be. Whether e new deputy secretary of state can contribute to improved internal systems remains to be seen. Much will depend on who gets the job and how soon a successor can

be in place.
Extensive background checks and congressional approval can both take time. Two prominent victims of these agonisingly slow processes are Mr Stephen Solarz

waiting FBI approval before being nominated as subassador to India, and Mr Morton Halperin, targeted by rightwing Republicans opposed to his defence department.

Still: Washington was buzzing yesterday with likely names for the Wharton position internal cardidates, some difficult to move from their present jobs, include Mr Thomas Pickering, amha in Moscow, Mr Strobe Talbott, ambassador-at-large to the former Soviet states, and Mr Win-ston Lord, midersecretary for

Asian affairs.

Mr Peter Tarnoff, in charge of political affairs and ranking third in the department, does not figure on most putative short lists, mostly because he was rebuked earlier this year for e speech he had given pointing to the limitations on

US foreign involvement. In the private sector wings. but with clear qualifications, are Mr Michael Armacost ambassador to Jepan until ear-lier this year, Mr Morton Abramowitz, the ex-diplomat who now runs the Carnegie Endowment for International Peace, Mr Don McHenry, former ambassador at the UN and Ms Rozanne Ridgeway, previously in charge of European affairs at the state department.

the need for diversity in his. Of the above only Mr McHenry, who is black, and Ms Ridgeway meet the criteria. which may, however, be waived in the pursuit of the



right candidate.

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Partie (11-27) 75-200

A GATT agreement could enrich the world by as much as \$270bn (£178.8bn) by the year 2002, according to a study pubhished by the Organisation for Economic Co-operation and Development yesterday. This is the highest estimate yet of the overall benefits that

could flow from a successful conclusion of the seven-year Uruguay Round negotiations. It is larger than the \$213bn welfare gain estimated in a joint OECD-World Bank study in September because it calculates gains from cuts in non-tariff as well as tariff barriers in industrial goods trade.

France's prime minister Edouard Balladur said yester-day he had no faith in claims that mere signature of a Gatt accord would relaunch the world economy, in "fantasy growth figures, which some people promise us", or in fear that a Uruguay Round fallure would make world trade any more problematic than it had been in the past seven years. He also confessed alarm at the North American Free

Trade Agreement debate in the US, in which some Americans were demanding further reinforcement of their country's means of unilateral commer-.

The French premier said he line,

expected Europe's partners to make "the leap" necessary to unblock the negotiations before the end of this

Mr Balladur refrained from dismissing, as many of his ministers do, the December 15 deadline as "an American date only for the US Congress" convenience. He now appears to regard that deadline as real.

Mr Peter Sutherland, the Gatt director general, told the conference that Gatt's participants faced a clear choice. They can either update and strengthen the multilateral system, or they can stand by and watch the centrifugal forces of economic nationalism tear it apart, and their future along with it".

sels: A high-level Commonwealth trade mission yesterday issued a strong warning to the US, EC and Japan not to. endanger a world trade deal hy delaying a conclusion or reopening issues which had already been settled.

Ministers from four Commonwealth countries yesterday spoke to Sir Leon Brittan, the ECsychief trade negotiator, on the second day of an eight-day mission. They said they were increasingly optimistic the have aroused as much public passion as US demands for more access to the Euro-

pean market for films and tele-

European film makers and wood is intent on the destruction of their industry and, with it, Europe's cultural identity. Americans counter with accusations of censorship and cul-

Yet in the shadow of this war of words, US and European Community negotiators appear to be groping towards a

greater protection against uni-lateral action by the US to force further market-opening

Although II6 nations are taking part in the Round. which is due to end on December 15, the audiovisual issue is essentially a hilateral argu-ment between the US and EC. At its centre are longstanding US objections to the European Community's 1989 broadcast ing directive, which from 1981 has required EC-based television channels to allot at least balf their broadcasting time to

Solution of audiovisual row may be in sight, writes Frances Williams

solution acceptable to both sides. Although the details have not been worked out (and could still sink the deal), the basic idea is to preserve existing protection for the European audiovisual sector while preventing restrictions being tightened in the future.

The chances of a deal came a little closer on Monday when, at the EC foreign ministers' meeting, France appeared to drop earlier objections to making audiovisual services part of any Uruguay Round accord. Sir Leon Brittan, the EC's trade commissioner, has con-sistently argued that including

European-made programmes "wherever practicable" (not counting news, sport, games or advertising).

Washington is also unhappy about subsidies for European film makers, especially as US movies contribute a hig chunk of the funding through a film levy. In France, the only EC nation which still has a sizeable domestic film industry, subsidies of all descriptions run to FFr2.1bn (£240m) a year.

The European audlovisual industry believes that this support is essential to counter competition frnm cheap US imports, which have already

TERMINATING EUROPE'S CULTURE? Arnoid Schwarzenegger in Terminator 2 - Indgment Day recouped their costs in the huge domestic market, Even so, sales of US films and tele-

have soared in recent years. In 1991, US productions accounted for 81 per cent of EC cinema screenings, over 70 per cent of European hox-office takings, and 54 per cent of all dramas and comedies broadcast on television. US audio-

vision programmes to Europe

visual exports to the EC were \$3.6hn (£2.4hn) last year, ance or accountancy,

pean sales to the US. Washington is evidently in no position to complain that it has insufficient access to the European market. US negotiators even concede that films and television programmes may require different treatment from trade in goods or

against a paltry \$288m in Euro-

But, at the same time, they want assurances that no new restrictions will be imposed on America's second largest export industry (after aircraft). The US film and television industry has a turnover of directly or indirectly supports share of the rapidly expanding world market.

The EC proposal, now being drafted, aims to secure special protection for audiovisual services in recognition of their "cultural specificity". The Community's schedule of initial commitments under the framework services agreement setting out what it is and is not prepared to do in opening ser-vices markets to foreign competition, will preserve existing hroadcasting controls and film subsidy arrangements.

In the short term the EC would seem to be in a strong position, especially as the US has lost part of its negotiating credibility by declding to remove ocean-going shipping from its own services schedule. Japan and some other nations such as Mexico favour the US stance, but the EC has solid backing from most of the rest of western Europe, Canada, Australia and India.

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In the longer run, however Europe may lose the battle of the quotas to the new technologies. Before long European consumers will have bundreds of domestic and foreign channels to choose from on satellite and cable. At the same time financial and creative links between Hollywood and Europe are steadily increasing. If filling quotas in the future will be difficult, policing them may be well nigh impossible.

BT to invest in satellite services

Correspondent, in Dubai

BRITISH TELECOM is investing about \$200m (£132m) in financing new satellite telecommunication equipment on board commercial airliners to position itself in the emerging market for aircraft satellite

The BT investment reflects the growing interest of luter-national telecommunication companies in new airline satellite communication systems which, together with new satellite navigation systems, are expected to revolutionise com-mercial air transport over the next 20 years.

"The introduction of new satellite navigation and communication technology is expected to be as significant for the airline industry as the transition from the turbo-propellor aircraft to the jet in the 1950s," Mr William Fromme, director of the air pavigation hureau of the International Civil Aviation Organisation (ICAO), the aviation arm of the United Nations, said yesterday at a Financial Times

Mr Fromme said new satellite telecommunication and navigation systems were expected to improve sharply safety and airspace management and provide significant economic advantages to airlines. But according to the Association (lata) studies one of the biggest pay-offs would for telecommunication companies because of the increased use of satellite telecommunications on board sircraft. So far, about 300 sircraft

have been equipped with satel-lite communication packages. The cost of installing this ent on board is about \$500,000 per aircraft. Emirates, the Dubai-based airline, estimates that passen-

gers could spend up to \$100 a year each nn on-board electronic shopping facilities. Mr Richard Branson's Virgin Atlantic Airways also see onboard electronic shopping and entertainment as provid ing an increasing source of revenue for airlines to nffset

continued pressure on fares.

Now you no longer need to lie, guess or admit ignorance when a customer calls.



THE frenzied lobbying over the North American Free Trade Agreement yesterday abated slightly as the major players awalted the next event in the campaign for passage; the tele-vision debate hetween Vice-President Al Gore and former presidential candidate, Mr Ross Perot, writes Nancy Dunne in Washington.

Leading up to last night's event were no fewer than three dehates scheduled on or around Capitol Hill between various congressmen, senators, and conomists. The Nafta and Beyond Commission staged a meeting on its impact on the US economy, while a House government operations sub-

Mexico's refusal to extradite a suspect accused of sexually molesting a five-year-old girl.

USA*Nafta, the husiness lobby, announced new television commercials featuring Mr Bill Gates, Microsoft founder, saying: "Our manufacturing productivity is so much better here, we won't have to move jobs to Mexico."

The opposition released a letter from Mr Ralph Nader, the consumer crusader, accusing President Clinton of failing to make improvements to Nafta which he promised on food and truck safety, democratising procedures, and safeguards for workers and farmers.

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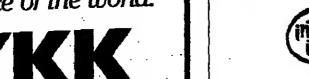
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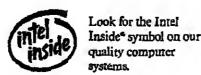
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INTERNATIONAL AIRLINES are facing increases of approximately 60 per cent in the price they pay for insurance cover as they negotiate renewals of annual contracts.

The rises follow several years of weak trading performance by sviation insurers. with claims from accidents and other losses regularly exceeding the amount paid in premi-

The trend was highlighted

than \$100m after a China Airlines Boeing 747 overshot a runway and plunged into Hong Kong harhour earlier this

And it should signal improving prospects for profitability hy underwriters at Lloyd's of London, which is 8 leading market for aviation insur-

"Underwriters have lost money for a number of years," said Mr Matthew Day, of Willis Corroon Aerospace, one of the leading huyers of sirline insur-

Three out of four airlinea renew covers in the last quarter of each year.

Rates vary according to the claims record of each airline during the previous 12 months. But according to figures published by Willis Corroon, many airlines which renewed their policies on 1 October paid steep increases.

Increases ranged from 147 per cent for hull cover and 110 per cent for its liability risks paid by one Asian airline to 31 per cent for bull and 54 per cent for liabilities for one

smaller European airline. Premiums for hulls range from 0.14 per cent to 0.6 per cent of value, a rate which means premiums for an airliner valued at \$150m would range from \$210,000 to \$900,000. Liability premiums range from 0.2 per cent to 1 per cent of "revenue passenger kilo-metres", a measure of the airline passengers traffic used by

mitms for 1993 are expected to amount to \$898m according to Willis, against \$578m in the each claim). same period of 1992. Major

claims have so far cost insurers ahout \$300m (a figure which is understood to exclude the recent Hong Kong crash) although the market has also been hit by a large number of partial and "attritional" losses (in which aircraft are damaged rather than destroyed).

As part of the trend towards

higher deductibles (the amount paid by the insurance hayer of

This move is part of under writers' overall strategy to tighten up the scope of coverage they are prepared to pro-vide," said Willis.

The ability of underwriters to impose increases has also reflected the withdrawal from the market of a number of insurers, including syndicates at Lloyd's of London, earlier

Britain in brief



Venture deal to build six

outlet malls BAA, the airports operator, has formed a joint venture with McArthur/Glen, the US property developer, to baild six US-style factory outlet mais in the UK at a cost of about £40m.

The venture expects to announce its first two UK sites within the next few months, as well as two sites in France. Further UK sites will be developed over three years, and if these and the French developments are successful, the venture will expand into the rest of coutinental Europe.

Factory outlet shops sell surplus and end-of-season stock from branded manufacturers at prices about a third lower than the high street. Although there are more than L100 such shops, malls where the shops are grouped together are rela-tively new to the UK.

Charge cards for overseas

Competition in the fast growing market for telephone charge cards was given a boost yesterday, with the launch of a range of new cards hy Mercury Communications, the main UK competitor to British Telcom-

Mercury claimed that its cards offered "substantial savings" on long-distance tar-iffs for BT's "chargecards". They also offer new features such as the capacity to call from abroad without using an

Charge cards allow customers to use pay phones and pri-vate handsets besides their own and charge the cost to their home account, or that of their company.

ILO forces spy ban talks

Sir Robin Butler, the cubinet secretary is holding discus-sions with government administration union leaders today about the possibility of ending the ban on trade union membership at GCHQ, the secret government listening base at Cheltenham, western England. The discussions, arising nearly 10 years after the mem-

bership ban was imposed by Lady Thatcher, have been an arrangement that will save the government from an embarrassing censure by the International Labour Organisation. The government was effectively forced to the negoti-ating table by the ILO which had threatened to single out Britain as the first industrialised democracy to breach its

SA television ban lifted

British television programmes can now be viewed in South Africa after a long-running ban on their sales was lifted today by actors' union Equity.

The ban was introduced in 1976 because members feared their black and Asian members could be discriminated against when it came to choosing programmes to screen there. Equity members voted 5,284 for lifting the han and 1,735

Generator to close plant

against.

National Power, the UK's largest electricity generating company, is today expected to unveil plans to close its Staythospe. Nottinghamabire, cen-tral England, power station in a move which will emphasise a sharp decline in demand fo

Waste tyre burner opens

The first UK plant to produce electricity from waste tyres for-mally opened in Wolverhamp-ton, western central England, yesterday. Owned hy Elm Energy & Recycling, a subsid-iary of NIPSCO, the Indiana electrical utility, the plant cost £47m and will recycle 11m tyres a year, 21 per cent of the tyres discarded in the UK.

Follow that tortoise...

Police officers were today going on the beat in an elecwheels and a top speed of 40mph. Biectric cars are widely used in the United States. Now they have been introduced in West Yorkshire. porthern England.

"It has little practical use for chasing criminals but we feel it is very good PR because it can be virtually used as a mobile police station," said a spokesman. The car being tested is the £13,000 Britis made Cushman Zev.

Rollercoaster deal in the can

A £1m sponsorship deal for the world's tallest and fastest rollercoaster was announced by its operators, Blackpool Pleasure Beach. Pepsi Max, the soft drink manufacturer, has signed up for the five-year sponsorship for the ride which will be known as Pepsi Max -The Big One.

construction and will open next spring. It is the most expensive ride in Europe and is 10 feet higher than the world's tallest ride, the Steel Phantom in Kemnywood Park. Pennsyl

vania, US.
The 235ft tall construction will have aircraft warning beacons. It will be a mile long and its three trains will reach

German qualified worker could

Move towards Chapter 11 code proposed By Andrew Jack

COMPANIES IN financial difficulties would he able to gain powerful new protection from creditors trying to recover their money, under radical proposals issued by the government yesterday.

They would be able to gain a "breathing space" of 28 days renewable for up to three months while they attempted to put together proposals acceptable to 75 per cent by value of their creditors.

Banks - which generally take priority over other creditors - would also be bound by this moratorium and would be required to give 7 days' notice to companies of their intention to appoint receivers, under the suggestions circulated by the Department of Trade and

The moves represent a modest shift towards the Chapter 11 bankruptcy proceedings in the USA, and comes as the result of a working party set up in November last year to consider changes to insolvency

Mr Neil Hamilton, minister for corporate affairs at the DTL said yesterday: "The proposals alm to create workahls and affordable rescue procedures. We need to ensure these are fully utilised whenever a lifeline can be thrown to a company in danger of sinking." The DTI report covers pro-posed reforms to company vol-

save code

Press Complaints Commission was starting to take shape last

Lawyers acting for MGN were holding talks with PCC

officials as the most senior fig-

ures in the newspaper industry

exerted their influence to try

to avoid the breakdown of self-

doch, chairman of The News

English, chairman of Associ-

ated Newspapers, have now

Mirror by their publications

will now cease in the interests of reaching a compromise. Lawyers acting for the Princess of Wales yesterday went

ahead with issuing two writs -

one against MCN and the other

against the LA Fitness Club in

ery and his wife Heidi in an

Italian restaurant on Monday

press that would follow.

and advertisers.

for press

By Raymond Snoddy

untary arrangements (CVAs) and administration orders. which were introduced in the 1986 Insolvency Act hut are widely acknowledged to have failed to live up to expectations. In the last three years, there have been just 296 CVAs and 447 administrations, com-

pared with more than 66,000

The recommendations met with widespread initial support yesterday. Mr Richard Brown, deputy director general of the British Chambers of Commerce, said: "It certainly seems as if the DTI is aware of the problems faced by companies. At first glance we are pleased with the proposals."

The DTI's proposals suggest company voluntary arrangements should be subject to relatively low-level monitoring hy a supervisor, who should be in a regulated profession hut need not be an insolvency practitio-

They say the company should possibly have access to new lenders to help with restructuring who would have priority over existing creditors. Sharebolders would lose their rights to approve CVAs.

The DTI document also suggests amendments to administration procedures which would allow a professional adviser to be appointed for 28 days without having to submit a report to the DTI on the conduct of the directors, as the current law requires.

By Kevin Brown,



The 60-member crew of a Latvian factory ship was rescued in a helicopter and lifeboat operation yesterday after the vessel ran aground in gale force winds off the Shetland Isles. The coastguard said aircraft would overfly the Lunokhod to check for oil leaks

Talks on salmon production end

Scottish Correspondent

NORWEGIAN salmon farmers, hlamed in Britain and Ireland for driving down the price of salmon by flooding the market, have ended their talks with Scottish and Irish salmon farmers on creating a network of producer organisations aimed at controlling produc-

Their move is in retaliation for attempts by Scottish and

Irish farmers to ohtain EC drastically in the past few sanctions against Norway. Yesterday the Norwegian farmers urged their government to implement measures to curb over-production and called on The UK government is

other countries to limit output. believed to be on the point of making a formal request to the European Commission to impose limits on imports of Norwegian saimon into the European Community, Salmon prices have fallen Ireland is set to grow faster

weeks to levels last seen in 1991, when the EC temporarily imposed a minimum price on imported Norwegian salmon. Most Norwegian farmers will

not feed their fish for seven of the last nine weeks of 1993, curbing the fishes' growth and reducing projected output hy 15,000 tonnes Yesterday the Norwegian

association pointed out that salmon output in Scotland and

Deal may Ceasefire hurdle for Ulster peace initiative

than their own, for the same reasons. The Norwegian farm-

ers' termination of discussions

on setting up producer organi-

sations brought an angry reac-

tion from the Scottish Salmon

"We have concluded that the

Norwegian objective is to

destroy the EC industry, which

will enable them to exploit EC

consumers in the future." He called on the EC to place an

immediate limit on salmon

Crowers Association.

"The position which has been put forward by Mr Reynolds is causing such unease that it may in fact block sensi-

Mr Molyneaux dismissed the Irish prime minister's suggestion that peace could be achieved by Christmas. "To ohtain that, Mr Reynolds would have to make concessions which would be destructive of democracy in both ends of the island of Ireland," he said.

regulation ingness to negotiate an IRA ceasefire, Mr James Molyneaux, the Ulster Unionist party leader, said yesterday. Mr Molyneaux's warning followed a meeting with Mr John Major, the prime A DEAL that could end the minister, at which he confirmed that crisis over the publication of the UUP is willing to keep the door surreptitiously taken pictures open to a further round of talks. However it further complicates the of the Princess of Wales and from Duhlin. take Mirror Croup Newspapers back into the system of selfregulation operated by the

THE Major-Reynolds Northern Ireland

peace initiative could collapse because

of the Irisb government's apparent will-

peace process, which has shown signs of stalling in recent days because of the Angio-Irish initiative failed, the gov- appeared to be "drifting away" from the Dublin on the ceasefire issue. power-sharing devolution.

The Rev Ian Paisley, leader of the hardline Democratic Unionist party. also tried to block the talks yesterday by declaring that he would "never" negotiate with Sinn Fein, the political wing of the IRA.

Dr Paisley, who had a separate meeting with Mr Major, said he had told the prime minister not to waste his time listening to "the hlarney and the lying He said Mr Major had told him that if Mr Molyneaux said that Mr Reynolds als for an internal settlement based on Major in Brussels two weeks ago.

hle progress," he said.

convention on freedom of assospeeds of 85mph.

State schoolboys beat the UK lags behind in craft training fee-paying boys' network

STATE SCHOOLBOYS have regulation and the inevitable government moves against the taken over from the independent school 'old boy network' Mr David Montgomery, chief in UK company boardrooms, executive of MCN, is making it according to research by the clear he will enter negotiations London School of Economics. on a return to PCC member-Half the chairmen of the top ship if Lord McGregor, chair-50 UK companies by turnover were educated at state schools. man of the PCC, withdraws remarks which criticised the while a further six went to Daily Mirror and advocated a "top" grammar schools which boycott of the paper by readers were once state-funded via the direct grant and are now inde-There is anger at MGN that pendent. In 1979, only 14 chair-Lord McCregor appears to men bad been state educated. have prejudged a possible con-By contrast, only 15 of this plaint before any of the evi-dence had been laid. It is believed that senior figyear's chairmen went to feepaying 'public' schools, com-

ures such as Mr Rupert Mur-Professor Leslie Hannah, of the LSE, who announced the Corporation and Sir David figures in an inaugural lecture to the Foundation for Manufacturing and Industry, claimed given informal undertakings that the attacks on the Daily the shift signalled the end of

pared to 29 in 1979.

ture", following many decades of domination of industry by the public school elite.

He said: "The trend favourable to business is now firmly established with continuing success in business recruitment of first-class honour graduates apparent in all recent has there been a revolution at the top in the boardroom, but that revolution is firmly rooted in evolutionary cultural and educational change.

The shift bas also been sudden. The apparent changes in the last decade are more substantial than those recorded in previous studies of the husiness elite over all previous decades of this century, taken together. Now the success of fee-paying pupils has fallen "to the level one would expect in a

Professor Hannah's lecture. said this sudden shift was attributable to the grammar schools created after the war. "The reason is that people in the grammar schools of the 1940s and 1950s were extremely well-educated. There's certainly an anti-industry culture in the British upper classes, or at least there has been."

A similar, but less drastic, shift is also visible at the level of higher education, according to the LSE figures. While Oxford and Cambridge maintained their old positions it was pointed out that these became meritocratic institutions with a broadening admissions hase. Birmingham University figured highly, while the LSE itself provided more top-company company chair-men than either Oxford and

By John Authers

Dr Paisley's continued hostility to the

Anglo-Irish initiative is a disappoint-

ment to the government, which had

hoped that public pressure for peace would moderate the DUP approach.

suspicion of Dublin's motives is poten-

tially a far more serious blow to the

peace process because of the UUP's

much greater support in Ulster.

However, Mr Molyneaux's growing

BRITAIN'S performance lags hehind to European competitors because of insufficient training i crafts, according to a pape published by the Nationa Institute of Economic an Social Research.

According to Professor Si Prais, of the institute, 64 pe cent of Britain's workforce has no vocational qualifications. In Germany this figure is only 26 per cent, and in Switzerland 23 Britain's deficiency is most

marked in "intermediate" craft qualifications, at a level including City and Guilds Part One and above, and BTEC national Only 18 per cent of Britain'a workforce has such a qualifica-

figures of 33 per cent for France, 38 per cent in the Netherlands, and 56 per cent in Germany. Professor Prais said the lack

tion in craft, compared with

QUALIF	CATIC	des: Ho	THE WC	UK COMPA	RES*
	UK 1989	France 1988	Germany 1988	Netherlands 1989	Switze
Degrees	11	7	11	8	
Vocational	25	40	63	. 57	
Technical	7	7	7	19	
Craft	18	33	56	38	
Non-vocational	64	53	. 26	35	
Selected years 1968-8	1. By parce	ntage of eco	nomically active	people	·

of qualified craftsmen had seri-

ous consequences. Graduate engineers "far too often" have to undertake work elsewhere taken on by quali-fied craftsmen, which could lead to the lower rewards which engineers command in

25 The institute's investigations showed that machinery main-

tenance was routine on the

continent, but in Britain was

left to amaller "firefighting" teams of qualified craftsmen as

the normal operators did not

In the clothing industry, a

have sufficient qualifications.

reach efficient working speed on a new garment in three days, while an English operative would typically take three weeks. Professor Prais also showed

that English 13-year-olds per-formance in internationally standardised mathematics tests has fallen over the last three decades In 1964, England already lagged behind Germany, the

Netherlands and Japan. When further standardised tests were held in 1990, England's average score of 59.5 per cent was ahead of 55.3 per cent by the US, but behind Switzerland (71 per cent), Hungary (68) and France and Italy (64). The two far-eastern countries to take part, Korea and Taiwan, both achieved 73 per

Again, English education was weakest for children of lowest ability, with three times as many low-achievera in

Daggers drawn as sides square up over defence cuts AIR CHIEF Marshal Sir Michael Graydon, chief of the Kevin Brown on horsetrading and mudslinging between armed forces and the Treasury

British air staff, is not a man given to dramatic public statements. So when he accuses the treasury of running a "disreputable" campaign to discredit the services. Westminster sits up and takes notice.

On Monday night, Sir Michael accused the Treasury of portraying the military as "ist. inefficient and poorly organised" in order to lay the groundwork for swingeing defence cuts in this month's Budget

finger of blame squarely at Mr Michael Portillo, the stead-Sir Michael named no fastly right-wing chief secre-

names, and he applogised yestary to the treasury, who has was hecause the defence hudterday - after pressure from argued strongly for public the defence ministry - for any spending restraint. embarrassment he may have Mr Portillo last night denied caused ministers. any involvement in Treasury

But his outhurst raises a series of questions about the role of the Treasury, the service chiefs and their political masters at the defence ministry in the Budget debate. Defence sources pointed the

lowed much the same course of leak and counter-leak as those in previous years. If battle was joined with

leaks. But officials across

Whiteball were pointing out

that there was nothing

unusual about this year's pub-

lie spending round, which fol-

get is one of the few big areas of discretionary spending which could be cut to keep public spending within the agreed control total of £254hn.

In the event, Mr Malcolm Rifkind, the defence secretary, fought off demands for cuts of up to £1bn this year, and settled for a reduction in the defence hudget of £1.3hn over three years.

The agreement was preceded greater verve than is usual, it hy a great deal of horsetrading, the British tanks in Germany

during which the treasury drew journalists attention to various military inefficiencies which could be exploited to yield savings.

These ranged from the comic to the dramatic. One minister suggested that worthwhile savings could be achieved if the services gave up their jealously guarded separate facili-ties for making false teeth

At the other end of the scale there were suggestions that were useless as a fighting force because of lack of air cover. Defence chiefs seem to have been most upset by suggestions that there were too many senior officers - particularly in the army and the navy, which was said to have more than 40 admirals who never went to

While the Treasury was quick to exploit some of these suggestions in its campaign for spending cuts, the defence chiefs are making a mistake in

identifying Mr Portillo, or his civil servants, as the source. In short, there was no organ ised Treasury campaign to undermine the defence forces. But there was a behind the scenes campaign by the defence department to mobilise backbench Tory opinion against the proposed cuts.

That campaign, which colmi-nated in a threatened rebellion hy Tory MPs. was clearly assisted by a much publicised visit by Sir Michael and the other defence chiefs to complain about the potential impact of cuts in spending.

London where the unauthorised pictures of her working out were taken. The writs made it clear the Princess wanted to have both the illicit pictures and their negatives. MGN says that staff from other newspapers have been harassing Mr Montgomery and Mr David Banks, editor of the Daily Mirror. A photographer took pictures of Mr Montgom-

NO DOCUMENTS

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PEOPLE

Bob Willett has been appointed managing director of Little-woods stores, the chain store division of the private retail and football pools group.

Willett, 47, resigned as chief executive of Gateway, the trading subsidiary of Isosceles in Octoher last year when the heavily indehted food retail company was in the throes of a financial restructuring. He had come in for criticism as Gateway had missed trading budgets. He had had a three year contract at £195,000 a year.

He first joined Gateway in 1987 from Owen Owen, the department store group, where he was operations director. He started as non-foods director and became marketing director

When David Smith launched a leveraged hid for Gateway's parent Dee Corporation in spring 1989, Willett and three other Gateway directors sup-ported the hid and were suspended by then chairman Alec Monk. After Smith's £2.1bn bid succeeded, Willett returned as chief executive of Gateway. He aurvived the departure of Smith in autumn 1991, when

the group was already having difficulty meeting its onerous debt commitments, only to fall a year ago. After leaving Gateway, Wil-

lett attempted to buy a retail siness with venture capital hacking - rumoured to be the Mark One chain of hudget fashion shops - but he has now returned to hig store life.

Willett takes over from Bryan Mayoh, who has filled the MD's position at Little-

woods chain stores for the past few months - a position which had previously been vacant since the departure of Bill Huntley who moved to head

Littlewoods' home shopping division three years ago. Mayoh has been promoted to managing director of Index. the catalogue shopping divi-sion, to succeed James Higginbotham, who is recovering

from major heart surgery. Mayoh began his career at Littlewoods in the mid-1980s in the computer section of the group management services department. He became director of management services. and then moved to the home shopping division as director of credit and collections.

Higginhotham, managing director of Index since October 1988 during which time the

Willett returns to retail life at Littlewoods present 126, is expected to return to work next spring, to head a group project designed to improve Littlewoods' operat-

ing efficiency and profits. Littlewoods also recently created two new directors' posts.

Janet Ruhin. who has held senior human resources positions in Burton group, Kingfisher's B&Q, and W.H. Smith,

has been appointed group

human resources director. Christopher Baker, for several years a business consultant to Littlewoods, has joined as corporate strategy director, responsible for exploring stra-

tegic opportunities and long-term group development. His previous experience was with Coopers & Lybrand, Hill Samuel, Morgan Grenfell and

Knox coaxed over the fence

In the first week of October. Patricia Knox, assistant city editor of the Evening Stan-dard, published the results of a wide-ranging survey on what the financial community felt ahout the stock exchange's future which began "Down but not out - that is the current condition of London's mnchcriticised Stock Exchange". Shortly thereafter the head-

Insurance

moves

hnnters were on the phone, and yesterday Knox was appointed chief press officer of the stock exchange, a post that has been vacant since Gill Ackers joined financial pr company Brunswick in early

Knoz, a 46-year-old Canadian with a degree in English and French from the Univerthe past 17 years at the Standard, "At least I know why the press has sometimes got cross

exchange," she says of her move to the other side of the The stock exchange has had

a turbulent year, coming in for fierce criticism over the Taurus fiasco and losing its chief executive as a consequence. But it has finally found a replacement for the latter, a City figure who will be identified tomorrow . So does Knox know who her future boss will be? "No, that would be tempting the Chinese Walls a hit too much, wouldn't it?"

or has misunderstood the

■ Peter Ward, managing director of COMMERCIAL UNION'S UK division, is stepping up to become part of the triumvirate of senior managers at the top of the UK's leading composite insurance company. Ward, 51, becomes an executive director alongside Tony Wyand and John Carter whose appointment as chief executive, following the retire-ment of Tony Brend, was

announced in July. From the beginning of next year, the UK division will be divided into Iwo husinesses. Ian Reynolds, 50, takes over as general manager, life. Cees Schrauwers, 46, general man-ager, non-life, will add London market operations to his existing responsibility for general insurance. Separately Michael Ford, group European manager, is to retire on March 31

after 35 years' service with the group. He will be succeeded by Roy Kemp, 50, currently a UK divisional director respons for finance and planning.

 A series of appointments has been made to the new group executive board of SEDGWICK NOBLE LOWNDES following the merger of Sedgwick Consuiting Group and Nohle Lowndes Group on October 1. Roh White-Cooper, chairman of Sedgwick's consulting operations group, has been appointed executive chairman of Sedgwick Nohle Lowndes. David Stranss has been appointed group managing director, Europe. He was previously chairman of European operations of Sedgwick Consulting Group. Peter Brew has been appointed group manag-ing director, Americas and Asia Pacific. John Montague has become group finance director, moving from his position as group treasurer at the Sedgwick group.

Bill Wedlake, formerly finance director of J. Henry Schroder Wagg, has been appointed finance director of GRE (UK), part of GUARDIAN

 John Sidwell, formerly group chief internal auditor. has been appointed finance director, ROYAL Life Holdings; he is replaced by David Lewington, who moves from Nationwide Building Society. Gary Richards, formerly group controller of Enskilda Corporate, has been appointed finance director, Royal Insurance Globai. David Heather is appointed finance director of Royal Life Estates on the resignation of Ron Way. ■ Howard Bibby, formerly a partner with St Quentin, has been appointed md of Leslie Lintott & Associates, part of

GROUP. Robert Ward and Alan Brooks have been appointed directors of HORACE CLARKSON.

LONDON AND MANCHESTER

Rowland changes his power base

Chris Rowland, former electricity analyst at Barclays de Zoete Wedd, has returned to the City after falling to per-snade electricity generators National Power and PowerGen to sell him plants they no lon-

He has been recruited by Merrill Lynch to cover European electric utilities including the two UK generators. It is just eight months since he quit his BZW job to set up Cabah Energy with the aim of operating the generators' discarded units. But Rowland refuses to blame the generators for his back of success. "I failed to make offers which were attractive enough to the generators."

he says. However, his return to the City will reinforce the view that the generators will light hard against calls that they sell off plant, National Power has publicly expressed strong reservations about selling off plant it wants to close. although it has indicated it is willing to talk about less marginal stations providing the

price is right.

Rowland, 38, one of B/Wa longest serving analysis before he quit, said yesterday that even if National Power's and: PowerGen's plant became available he would no longer be interested. "The competition would be too great."

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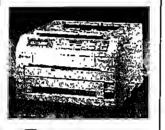
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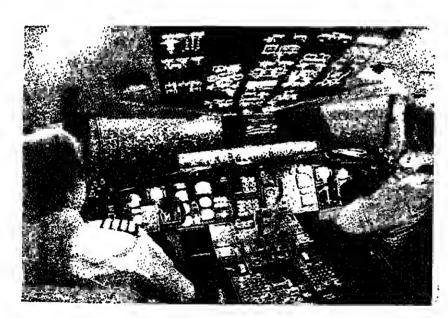
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FINANCIAL TIMES

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tape, road signs and Post-it notes.

Now the 29-year-old Bigay spends more than a third of her time travelling outside France as one of six members of the new European "core team" for one of those product lines, surgical tape. Her immediate colleagues are two Britons in the UK, a Dutch woman in Germany and a Belgian and an Italian both based in Brussels – the latter is the team "co-ordinator". They all communicate in English.

Apart from dashing around France, where Bigay still spends two-thirds of her time, mostly in direct contact with local customers, the country she visits most is Germany, where she has a second European responsibility: transferring to her local German counterpart her product expertise. Her German is as fluent as her English.

Bigay is one of about 1,000 managers at almost every level within 3M in Europe, many of them in their late 20s and 30s, whose lives have been transformed this year. As part of a radical reshaping of the company's European organisation, they have been given permanent and/or project responsibilities across national borders.

The reorganisation, which took effect in January, has several unusual characteristics. These make it more far-reaching yet also more subtle than the ways in which most other multinationals are adapting themselves to the emergence of cross-border customers and distributors, the consequent need for faster European decision-making and other aspects of the

slowly emerging "single market".

Unlike other companies which have pulled back from their initial enthusiasm for spawning "Euromanagers" able to operate with ease across national boundaries, 3M is breeding them like rabbits. This is in character with the internationalism of its top management.

"For a US company, 3M has done a remarkable amount since the 1970s to make international experience a key to top careers," says Christopher Bartlett, an Australianborn professor at the Harvard Business School. Bartlett's writings with Insead's Sumantra Ghosbal on "transnational" organisations had a direct influence on the shape of 3M's new European structure.

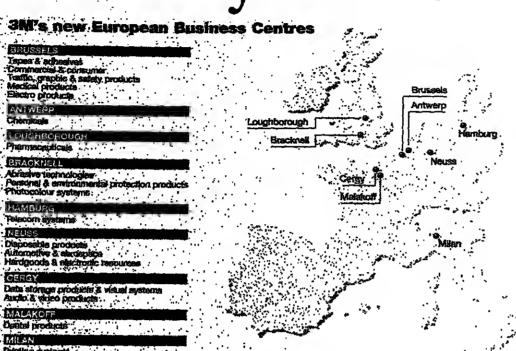
The reorganisation consists of two main steps. 3M has taken them together, whereas most other companies have done so in sequence, sometimes over a decade.

sometimes over a decade.

First, in the interests of greater cross-border effectiveness and faster

The lives of 3M's managers have been transformed by a Europe-wide reorganisation, writes Christopher Lorenz

Here, there and everywhere



decision-making, 3M has shifted most strategic and operational responsibility away from its national subsidiaries (the geographic side of its organisation), and centralised it in the hands of 19 product divisions, each with Europe-wide responsibility.

It calls these European "Business Centres" to distinguish them from their counterpart "groups" and "divisions" in the US, But each European and American entity reports to the same global boss - all but one of them based in the US.

Second, the residual geographic

responsibilities - now confined primarily to support services such as staff development, logistics, information, technology and finance - have been shifted from the smaller countries to several of 10 new European "regions". Three cover France, Germany and Italy, but the Nordic, Iberian and central European countries are now combined, as are the UK and Ireland.

Unlike many other companies

which have made such a change, 3M has given the regional heads equal rank to the EBC managing directors. It is also retaining full-time country managers in most countries. The purpose is to ensure that 3M's geographic managers not only represent the company in their

The risk for any type of European organisation is that it will lose touch with local customers

local communities but – a point 3M stresses – they retain enough persuasive power with the EBCs to ensure that these continue to be responsive to national differences.

The risk for any type of Euroorganisation is that it will lose touch with local customers. As Livio DeSimone, 3M's Italian-American chairman and chief executive,

says: "You need the right blend of global direction and local responsiveness."

Thanks to a lengthy period of cross-border consensus-building since 1982, the change has been accomplished remarkably quickly.

M originally planned to create the EBCs gradually over three or

accomplished remarkably quickly.

3M originally planned to create the EBCs gradually over three or five years. But because of the enthusiasm of the EBC heads and their wish to secure the best possible teams and minimise the insecurity of less senior staff, it was completed in only 14 months.

Many companies lay false claim to the fashionable "transnational" label when almost all their international divisions are still based in the same country. But 3M has spread its EBCs across five: Belgium (where its long-standing European head office is based), Britain, France, Germany and Italy. This principle of dispersal has also been applied within many EBCs, and inside the 33 smaller European Business Units beneath them by

locating the members of each management team not all on one site, but across Europe. Thus the tapes and adhesives EBC is based in Belgium under a Frenchman, with two of his four immediate subordinates located in France and Correlates.

located in France and Germany.

This arrangement has minimised the need for costly and disruptive staff relocations across Europe. Doug Hanson, 3M's vice-president for Europe, says that fewer than 40 managers have had to relocate. The intention was always to distribute the EBCs around Europe, in order to use 3M's existing sites and resources. But he says: "We originally thought we wanted everyone within an EBC located logether."

That would have involved massive relocation. "After discussion, we decided that with modern communications and people's wish to stay in their home country, this wasn't necessary."

wasn't necessary."

The location of each EBC and its constituent business units was decided on the basis of "where it made most sense", insists Hanson, rather than through internal political wrangling or even-handed "corporate citizenship" towards each main country. This is less implausible than it sounds, since 3M already had a reasonably balanced pattern of sites across Europe, including production bases for the whole region designated in the 1960s.

"Where we had a big manufacturing site, we located the EBC there," says Harry Hammerly, Hanson's boss, who now oversees all international operations and corporate services from 3M's beadquarters in St.Paul, Minnesota.

Thus chemicals went to Antwerp, printing products to Italy, traffic signs and safety products to Brussels and computer discs to France. "We were very careful not to locate an EBC in a country because the right leader for it was of that nationality." Hammerly adds. EBCs in several countries are run by people of other nationalities, including a Briton in Germany, an Italian in France and a German in Italy.

The main exception to this pattern was with abrasives, where Hanson says the relative size of existing operations made the EBC's location "a toss-up" between France, Germany and the UK - which won, under the best man for the job, a Briton. But "he has been careful not to select Brits to shore himself up", says Hanson. Two of the three business units beneath the abrasives boss are outside the UK, in France and Germany.

As Hanson says, this type of "network". Is by definition "less tidy and controllable than traditional forms of organisation". It also requires new approaches to co-operation and teamwork.

A second article will examine how 3M managers are adapting to the new organisation.

Building a better rocking chair

Lucy Kellaway meets Robert Fritz, America's eclectic guru

he publicity announcing the arrival in Britain of Robert Fritz, the latest management guru from the US, describes him as composer, film maker, author and management consultant, in that order.

He has just finished making

a psychodrama for television about a boy who is injured in a car accident, suffers brain damage and finds his relations with the outside world changed forever.

with that sort of background one would expect a pretty alternative view of management. At the very least he might be relied upon to be a devotee of new theories of corporate creativity.

Yet this ex-clarinetist looks like a Wall Street banker and says firmly that be is "not interested" in creativity. He deplores the fashionable psychological theories which suggest managers need only get themselves into a creative "mindset" and all their bad old ways will be changed

What matters, he says, is not creativity but creating. In order to create something it is necessary only to know what the goal is, and what steps to take to get

This is his battle cry: that companies, like composers or film makers, need to have a clear idea of what they are there for and what they are trying to

"It sounds so simple. Everyone tells you: we do that," says Fritz. Yet his contention is that they do not. He has trawled round companies asking them where they want to go and has discovered that most have no

"Their first reply is usually a combination of ideals, vague statements that don't mean anything and solutions to problems they haven't named. Very seldom do you find someone who knows what they are after."

Fritz argues that companies must first understand how they generate wealth. He says that if you ask most chief executives they only have a hazy idea.

From this lack of clarity stems all sorts of problems. Companies may have several conflicting goals that vie for attention, with the result that it oscillates between them. Fritz calls these companies

"rocking chairs".

The behaviour that follows comes in many forms. The recent "downsizing" by corporations is a good example. Companies have never stopped to work out what their capacity costs them, and so can find themselves in a cycle where they over-expand when times are good and contract too much when times get hard.

Another common "rocking"
pattern is between centralising
and decentralising
decision-making. Companies want
to grow and to do so they
decentralise decision-making. This
leads to a loss of control and a
desire for stability, which in turn
makes them centralise
decision-making. After a while
the company decides it wants to
grow and the process starts all
over again.

The answer, says Fritz, is for companies to recognise their desire both for growth and stability at the outset and work out which one is most important. They should pay attention to what he calls the structure of their organisation.

Structure, as he conceives it, describes all the relationships in the organisation; the reason for the rocking chair is poor structure. The company might have conflicting goals, it might have reward systems that conflict with company values. For example, many companies try to encourage teamwork or to get different departments to work together, but persist in handing out rewards based on the performance of the individual or the department.

Whatever the structural flaw, it must be sorted out before any new management idea has a hope of working.

Fritz's favourite image is that of a car that pulls to the left, "If you want to go straight you must pull to the right. But most advisers will say that if you want to go straight you must steer straight. If you do that, it will not work."

His point is that if you do not understand the structure, you will never get anywhere.

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Expertise with Responsibility

The factories which built the equipment for the world's two higgest nuclear reactors stand empty along the road through Lithuania's national forest Disused construction cranes peer over the hirch trees, pointing the way to the Ignalina nuclear

Their job is not finished and probahly never will he. Two RBMK. light water, gas-cooled or "Cherno hyl-type" reactors were huilt at Ignalina before public unrest and environmental pressures stopped work on the third plant in the mid-1980s. A fourth was planned, but not begun.

Since Lithuania's independence two years ago, alarm over safety at the Soviet-huilt power station has prompted western countries to ncrease their safety efforts.

The work is being led by Sweden, just across the Baltic Sea. The Swedish government has paid SKr70m (£5.8m), with another SKr53.2m due next year to improve the reactors and train workers ahead of a total shut-down, likely to be some years off.

Much of the Swedish ald addresses the safety concerns voiced by the plant's management in a report last Fehruary by the International Atomic Energy Agency. These can be met hy hardware purchases such as a hetter steam pressure relief system.

ABB Atom, the nuclear energy

division of Asea Brown Boveri, the Swiss-Swedish engineering group, has been contracted to provide a robotic tool to descend into the reactor cavity's high-radiation areas and improve the steam pressure

in the chain reaction that heats

Without Ignalina, most Lithuanians, already with no hot water, would live in the dark

water to boiling point, fuel rods containing uranium dioxide are used; the mixture of steam and water goes to a steam separator and then to the turbines, producing electricity. The danger is that if too much radioactive steam is released, the reactor cavity - about twice the size

of those in the west - could hurst. Normally, when pressure vaives hreak, the steam is channelled to a condensation pool, But Ignalina can only withstand a rupture of four valves, below western norms. If more break, there is a risk of contamination, So ABB Atom will belp install a new pressure relief pipe connecting the reactor cavity to a condensation system.

Even higger than the risk of con-

Matthew Kaminski examines attempts to improve standards at the Ignalina nuclear power plant

Lithuania's pressure cooker

tamination, however, is that of fire. its consequences, the IAEA says, could be "severe"

Vattenfall, Sweden's state power company, has contracts to provide extinguishers, masks, a fire and hydrogen alarm system and improve the sprinkler system to prevent overheating.

But none of this equipment can he delivered until the Lithuanian parliament approves a law under which the country accepts liability for nuclear accidents. This is expected to happen next year.

However, other projects are run-ning more smoothly. Engineers from another ABB unit, ABB Tekniska Röntgen-centralen, are performing tests at the reactors, including inspection of the 1,661 water-cooled fuel channels.

It has developed an ultrasonic scanner to spot welding defects in the channels' upper sections. These cracks pose no immediate threat. But, says Peter Schauh, an ABB engineer: "All defects are dangerous in a nuclear power plant. We have to help the plant people understand that defects are not acceptable."

The scanner has detected hundreds of so-called "weld root defects", which have been fixed. Yet the whole process could take years. Cracks develop over time and frequent inspections are needed. Thus the plant only operates one reactor at a time, allowing inspectors work at the other.

There have been many changes at Ignalina since 1986. Control systems have been upgraded, fuel channels loaded with extra absorbent rods to enable them to withstand more heat and shut-down speed accelerated. To minimise risk even further, the plant only operates at 1,300MW. below its capacity of 1,500MW.

"We've done everything to pre-vent another Chernobyl," insists Viktor Shevaldin, the plant director. But not everyone shares this optimism. Two Danish Euro-MPs touched off a flurry of disquieting press reports in Copenhagen about Litbuania's "Chernobyl-to-be" hy vividly describing safety problems at Ignalina and calling the ABB Atom efforts inadequate.

Certainly, the decade-old plant,



with its gigantic twin reactor and turhine halls, looks far older than its years. Paint is peeling and machinery seems outdated. A radiation monitoring machine for workers has not been turned on.

A 1cm crack in the cooling system almost caused a significant accident last year, faulty valves. similar to those beld responsible for the 1991 accident at Sosnovy Bor near St Petersburg, were inexplicahly found in the reactor this summer. A turbine cooling pipe hroke last month.

Structurally, the problems are serious. The Swedish moves are only the first in the improvement programme at Ignalina. Tord Sterner, vice-president for nuclear services at ABB Atom, says other necessary work includes the installation of an emergency feed water system, modernisation of the control systems and the updating and replacing of more equipment.

Yet there are limits to what can stand a potentially disastrous steam release during an accident. "You cannot make it as safe as European reactors because that's the way it was huilt," says Morten Sondergaard, an EC Phare (aid for eastern Europe) programme consultant at the Lithuanian ministry of energy.

he achieved. Unlike western plants, for example, the reactor huilding cannot he encased to help with-

Away from the reactors, spent fuel is stored inside water pools,

which are almost full. Germany's Gesellschaft für Nuklear-Behälter has won a contract to put the spent fuel in dry storage containers designed to last 50 years. The Lithu-anian government is today expected to approve the contract with GNB, which outbid Ontario Hydro of Can-

Another problem is security. A 7m-long, spent fuel shell, full of radioactive material, disappeared from the plant this summer. Also causing concern since the break-up of the Soviet Union is morale among Ignalina's 5,000 employees, mostly Russian. Lithuania has granted them citizenship, but the IAEA and Shevaldin fret about the trickle of migration back to Russia. Closing the plant would solve these problems. Initially, western governments thought the reactors could be decommissioned quickly. Than they realised what this would cost. "You can demand that the plant be shut down," says Jan Nistand, director of the Swedish Nuclear Power Inspectorate, which handles the Swedish bilateral aid programme, "But only if you have

alternatives to offer."

There are few. Without Ignalina, most Lithuanians, already with no hot water, would live in the dark. The plant supplies 85 per cent of the country's electricity needs. No other country in the world depends so mnch on nuclear power.

Moreover, half of the electricity

produced in Lithuania is exported to neighbouring Latvia. Belarus and Russia's Kaliningrad region. Facing similar pressures, the Ukrainian parliament has reversed its earlier order to close Chernohyl hy the year's end.

Decommissioning could cost as much as building a new plant. As a result, western governments prefer to fund short-term patching-up operations to put them at ease hefore shut-down; the Swedish inspectorate expects this to be possible in eight or 10 years, when the pressure tubes will have to be

Only Sweden has a substantial bilateral programme at Ignalina or, indeed, at any Soviet-era nuclear power station, Instead, the European Bank for Reconstruction and Development co-ordinates multilateral aid for the former Soviet hloc's problem plants. It is considering a grant to purchase equipment for

At Ignalina, Shevaldin has few kind words for the EBRD. "The Bank won't give us the money directly. It'll stay somewhere in the west. We'll never see it. Only with Sweden do we have real work". He also hrushes aside any talk of shutdown and asserts - contrary to the view of western experts - that Ignalina will be open another 30 years, the life expectancy of the younger reactor.

Rapeseed fuels the energy debate

A diesel mixture is being used to power vehicles, says Anna Kochan

ore than 300 diesel vehicles are being driven in French towns powered by a "green" fuel which Jacques Delors, president of the EC Commission, believes will become accepted throughout the

Produced from rapeseed oil. the fuel - known as Diester, a trade name derived from ester (an organic compound) — reduces pollution and provides an income for Europe's agricultural community. Many Elf service stations, particularly in the Paris region, provide a mixture of regular diesel fuel and up to 5

per cent of Diester.
It is this mixture of fuels which Delnrs says will become the EC Diester is intended to run any.

vehicle with regular diesel engines - its main use is with nunicipal vehicles. The fuel does not affect their performance, longevity or maintenance. Tests show that this is true for engine running on a mixture of fuel containing up to 30 per cent

At present, French authorities do not foresee a higher percentage of Diester in the fuel and French automotive manufacturers du not plan to develop special engines, says Luc Schorter, general manager of Ouroumoff, the Paris-based

consulting engineers.
Our oumoff built France's first Diester factory at Compiègne, north of Paris. Its client for the FFr50m (£5.8m) pilot plant was Robbe, a company specialising in non-food uses of vegetable oils and owned by Sofiprotéol, a French financial institution.
While Diester benefits the

environment by helping to alleviate the greenhouse effect and levels of acid rain caused by diesel exhaust fumes, Schorter also stresses the agricultural "It is a very intelligent solution

for the farmers." Land lying fallow because of EC "set-aside" rules can be cultivated for non-food purposes. In the medium term, rapeseed destined for Diester production

could produce an annual 500,000

tonnes of Diester, or 4 per cent

of French diesel fuel consumption. Schorter believes this level of production will be reached in five years and

continue to increase. Today, however, Diester would not be economically viable without government help. A subsidy of FFT 1,000 per bectare ble to farmers growing is availa rapeseed for conversion to Diester. Also, Diester is not subject to the same tax impos on other diesel fuels and petrol. Even so, the price of Diester will not fall to that of regular diesel for at least two years becau of the limitations of production

In Diester production, a chemical reaction takes place in which rapeseed oil is combin with methanol in the presence of an alkaline catalyst. At the Complègne factory, which Delors inaugurated earlier this year, a process known as Esterfip. developed by the French Petroleum Institute (IFP), is employed.

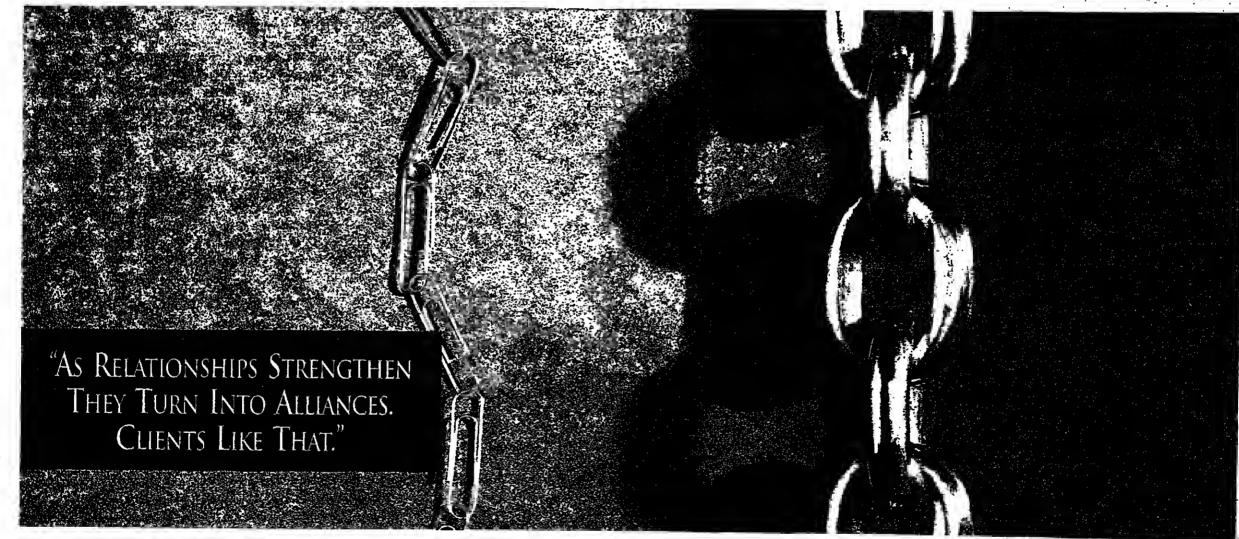
According to Schorter, it is not difficult to make Diester. Financed in part by the EC, the plant built by Ouroumoff has a capacity of 20,000 tonnes a year. Schorter says if Diester is to be priced the same as ordinary diesel fuel, plants must be able to produce at least 100,000 tonner

For this, continuous production is vital. The IFP has developed and is testing such a process; others are also trying. Schorter forecasts that within

five years. France will have five factories making Diester, each with an output of at least 100,000 tonnes. They will operate in different regions, the first coming on stream in 1995. Government subsidies for

Diester will decline as the more cost-effective continuous process plants start up, but the question of what to do with the repessed hushs left when the oil has been someezed out and with the giverine by product remains

Meanwhile, to satisfy a growing demand for Diester, the Complègne factory places to double output to an annual 40,000



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Opera Karetnikov's Eulenspiegel'

ew modern operas can claim a more tortuous genesis than Nikolai Karetnikov's *Till* Eulenspiegel, which has just received its stage premiere at Bielefeld in north Germany. Karetnikov, born in Moscow in 1930, comes from the post-Shostakovich generation of Soviet composers whn experimented with new techniques and fell foul of the Communis

authorities.
Till Eulenspiegel was hardly calculated to win official approval. A two-act Singspiel completed in 1985, it is a parable of Soviet repression and the indomitable human spirit. The work first reached the West two years ago, in a recording made piecemeal with help from off-duty members of the Soviet Cinema Orchestra and scraps of tape from the cutting-room. Today, the only obstacles to its performance in Moscow are financial. And so - with an irony that suits Karetníkov's style Till Eulenspiegel has been premiered far from the people to whom it would

Initial reactions to the recording were ecstatic. Gramophone went so far as to hall it as "one of the most powerful operas of recent times". John Dew'e Bielefeld production hardly supports that verdict. Till Eulenspiegel comes across as a good allegorical yarn - easy-to-follow, singable and entertaining, hut not strikingly

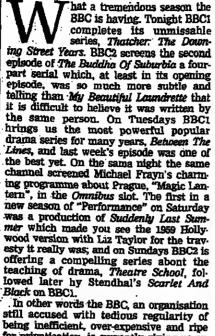
Karetnikov and his co-librettist, the film director Pavel Lungin (Taxi Blues), used a navel by the 19th century Belgian writer Charles de Coster as their source. Till is more than the endearing prankster depicted in the Strauss tone poem - he becomes an uncompromising fighter

for justice and freedom. The setting is Flanders under the Hapsburg empire and the Spanish. inquisition. Till is exiled for making fun of a monk, his father is burned as a heretic, his mother is murdered and he himself is nearly executed. From first to last, death and freedom form two sides of the same coin - no more so than in the final scene, when Till dies of poison and is mysteriously resurrected.

Woven into the fabric of the story are bizarre clips of the Spanish court and a role-call of stereotypes - a fishmonger who informs on his fellow citizens, a fortune-teller, a quartet of prostitutes and Till's alter ego, a agabond named Lamme. All are wrapped into a polystilistic theatrical idiom embracing mystery-play, pantomime ballet, burlesque and satirical drama renaissance song and baroque recitative to Orthodox chant, *Sprechgescing* and 12-note variations. Karetníkov emerges as a musical chameleon, a virtuoso impersonator, but lacking Schnittke's ability to mould his influences into

something more personal. Dew's production, designed by Thomas Gruber and José Manuel Vazquez, matches the parodistic quality of the score, without losing sight of the pain and violence beneath the surface. The stage is a 20th century prison of wire mesh, divided into three playing areas to keep pace with the quick changes of setting. Nn scene outstays its welcome, though some would have benefited from a more identifiable sense

The biggest drawhack is the positioning nf the orchestra behind the stage, from where - despite amplification -Karetnikov's subtle accompagnato makes a sketchy impression. Give nr take some predictable lapses of coordination with his cast, Geoffrey Moull conjures an idiomatic range of sound. In the baritone title role, William Oberholtzer is more worthy than charismatic. The Biclefeld ensemble provides versatile support, with excellent contributions from Susan Maclean as Till's fiancée Nele and Ulrich Neuweiler



still accused with tedious regularity of being inefficient, over-expensive and ripe for privatisation, is currently giving us an outstanding series about recent politics; a contemporary drama serial about multiculturalism and social mores that is better than its creator's previous work which we were assured was the most giorious flower of the British film industry; a police series which meshes the ethical questioning of Law And Order with the entertainment of Hill Street Blues: a highly personal travel documentary combining information and entertainment in just the the way we have always been told British broadcasting should; a splendid version of a Tennessee Williams play with a magnificent performance from Natasha Richardson; an exemplary modern documentary series; and exactly the sort of classic literary adaptation that even the BBC's fiercest critics seem to agree it does better than anyone

What is there in all the rest of television put together - ITV and Channel 4, satellite and cable - which can hold up its head in such company? So far as I can see, back in Britain just two weeks and still sampling the autumn season's new series though with little expectation now of any great surprises, just one ITV series from Gran-ada: Cracker, in which Robbie Coltrane does everything that a good actor should when he is given a peach of a part. He gobbles it with glee, allowing the juice to run everywhere. Superb though his performance is, however, even this series has some small queries hanging over it: can writer Jimmy McGovern prevent Colt-rane's character, an offbeat police psychol-ogist named Fitz, tumbling into self parody; and, given that another series has already been commissioned, can be invent enough varied stories to justify Fitz always having a central role? Trying to talk someone out of a crisis is all very well, but every week?

In Thatcher we have become used to the former prime minister talking herself out of innumerable crises as her account of

's British contemporary dance flour-



Richard E Grant and Natasha Richardson in 'Suddenly Last Summer'; and Ewan McGregor and Alice Krige in 'Scarlet and Black Television/Christopher Dunkley

season of excellence from the BBC

her years in office progresses. The absolute consistency with which "we" (as in "We have become a grandmother", included tonight) claim all the credit for the successes while hlaming others for the failures, has heen hreathtaking. Her account in today's programme of the parting of the ways between ber and two of her chief ministers, Nigel Lawson aod Geoffrey Howe, is staggering in its egocentricity. This incident provides a perfect example of the way that the television version scores so heavily over the book (Harper Collins, £25). At 914 pages the book is about twice as long as it ought to be, yet it is fairly easy reading. However, if you watch the television series first and then read the book you cannot but be struck by the two-dimensional nature of the printed version which, of course, supplies only the Thatcher line on events.

In Denys Blakeway's television version the Thatcher words are often virtually identical to those in the book, but there are two crucial differences. First, the screen allows you to see how the lady's eyes gleam or narrow as she delivers them, and that can double the impact or even change the meaning. Secondly her words are often modified by an immediate reaction from somebody else. Tonight, for example, she suggests that when Lawson

claimed to be resigning because of her preference for advice from Alan Walters, his real reason was the realisation that he had been responsible for inflation. In the book Thatcher's assertioo stands unchallenged, but on television Lawson promptly pops up to denounce this as ludicrous,

This series confirms something I have been suspecting for some years: that, far from heing the vulgar magic lantern which book academics would have us helieve, television can actually be a hetter medium for history than print, once you are dealing with the modern world in a period when there are news archives to be raided (as Blakeway does, naturally) and many of the key witnesses are still alive to be interviewed (as in this instance, where the cast list is astonishing: everyone from Reagan and Gorbachev to Ingham and Powell). Fifty years from now, who will turn first to the book if, instead, they can turn to this engrossing, far more revealing, and better rounded television series?

You could bardly find a bigger contrast than that provided by Between The Lines, a drama series which has faint echoes of many previous series from Z Cars to The Sweeney, though we may eventually conclude that this is the best of the lot. Watching last week's episode, written by Roh Heyland and directed by Roy Battershy, was a particularly fascinating experience for any fan of film noir who had watched Huston's 1950 movie The Asphalt Jungle on BBC2 oo Sunday night. The received wisdom is that the old hard-holled black and white American thrillers set a beochmark for crime drama which has rarely been matched subsequently, either in cinema or on television. Yet Between The Lines told a story of bungling and departmental rivalry (between MI5 and Special Branch) which was far more subtle and complex than any of the film noir classics. It did so within a framework in which

all the detail was hugely satisfying, from the wicked comedy of the scene where the Home Office blgwig's assumption of a nosmoking policy was promptly ignored by all and sundry, to the nice ambiguity of the relationship between our hero. Tony Clark of the police's internal security division (Neil Pearson), and Angela Berridge from the Home Office (Francesca Annis). There has been a marked reduction in the activity which earned this series its alternative title of Between The Sheets, but it looked as though Clark, despite his deep distrust of the Ministry, was about to show his Achilles beel again, and prohably a good deal more of his anatomy. As sheer entertainment this production rated very

ask about who should guard the guardians. If our security bodies will, indeed, lie in the competition to predominate, how on earth can the private citizen, or even the ordinary policeman, know whom to trust? There were hints of Kafka's world here, all the more effective for heing cootained within a classic bit of television crime Who should take the credit for this out-

high, hut it also had a serious question to

standing showing from the BBC? The new channel controllers, Alan Yeotoh and Michael Jackson? Most of this season's series must bave been commissioned hefore they came to power. John Birt then? Perhaps so, he has been wielding influence at a high level long eoough for his appointments and ideas to have started having their effect on screen. But caution is advisable. Swings and roundabouts have always been the most important constituent in the contest within British television. It may be that ITV really is abandoning the high ground of programme quality in its pursuit of audience quantity, and that we are witnessing the first evidence of an important long-term change. On the other hand, the seesaw bas swung wildly in the past and could easily do so again. Still, there is no mistaking the BBC's superiority at this moment.

Modern dance in dire straits

ishing? So it has been recently claimed. The facts suggest a far more alarming situation. For the last quarter-century, the nation's two largest modern-dance troupes have been London Contemporary Dance Theatre (16 dancers at present) and the Rambert Dance Company (17 dancers). Today, both are in conditions of intensive care. Rumours were flying over this last

weekend that London Contemporary Dance Theatre was about to announce its closure. The company, which reached a peak of glory during the 1970s under the artistic direction of choreographer Robert Cohan, has always exemplified rare standards of sheer dance technique. But it has been seeking for a satisfactory new artistic director since the mid-1980s. The crisis is the more acute since it affects the London Contemporary Dance School, which feeds the company with dancers and is among the world's leading centres of modern-

dance training. The Rambert, which became a basically modern-dance troupe in 1966, has changed identity several times. Until the 1960s it presented a more histrionic or theatrical kind of dance expressionism, led by such choreographers as Glen Tetley and the gradually emerging Christopher Bruce. During the 1980s, however, it became a Andrew Clark more pure-dance troupe, with higher standards of dance technique and musicality.

But December 1992, the board of directors of the Rambert sacked the current artistic director, Richard Alston. His work for the company as hoth choreographer (since 1980) and coordinator of a revised repertory and important artistic collaborations (since 1986) had won several awards; and the board's decision caused huge shock-

waves, which have still not subsided.

There seems little doubt that the reasons behind the board's act were primarily financial. The company had fared poorly at the box-office (both on tour and in Lon-As from next year, however, a new Ram-

bert is expected to emerge. The new artistic director is to be Christopher Bruce yes, Bruce of Rambert's pre-Alstoo days. Bruce has signed to begin work in April 1994. He has made certain conditions: that the company he increased from 17 to 25 dancers, that its orchestra be increased in size, and that a full-time musical director be appointed. His plans are to give the company an international repertory - a sort of 20th-century Masterpiece Dance Theatre - with works not only by himself hut also by such foreign choreographers as

Jiři Kyliàn, Ohad Naharin, and the late Martha Graham.

These plans are startlingly amhitious and yet thoroughly reactionary. in modern-dance terms, 25 dancers is an astonishingly large company. (Compare it with the leading American modern dance companies. Merce Cunningham, Paul Taylor, Twyla Tharp, Mark Morris all have less

As rumours fly about the demise of LCDT in its current form, Alastair Macaulay looks at the crisis in British modern dance

than 18.) As for the choice of choreographers, Bruce, Kylian, and Naharin, though popular, are scarcely on the cutting edge of dance; and Graham is dead. And does the new Ramhert plan, as is rumoured, to dance ballets as well as modern-dance works? It is unlikely that a company based in the work of Bruce, Kylian et al. could do them justice. And will such a company he popular? The new Ramhert, we are told, will give more than 100 performances a year. Wheo touring round Britain, it will give six or seven performances per week. (This at a time when most hallet companies have grown scared, for box-office reasons, of giving much time to anything other than such full-length ballets as Swan Lake.)

When people talk of the recent success of British contemporary dance, they are chiefly referriog to a number of our smaller dance companies Siobhan Davies's, Micbael Clark's, Shobana Jeyas ingh's, DVs. Adventures in Motion Pictures, Second Stride, the Cholmondeleys. These troupes are almost all shaped around ooe choreographer. LCDT and the Rambert are, however, repertory companies; and this is part of their long-term problem. You can build a ballet repertory company because there are plenty of choreographers who can employ the same ballet vocabulary. But there are many different modern-dance techniques. Both LCDT and the Rambert have had to keep readjusting their basic styles of dance training. Yet the Arts Council has acquiesced to the formation of the revised Rambert, and has given ootice to London Contemporary Dance Theatre that it cannot currectly

support two companies on such a scale; or, rather, that London Cootemporary Dance

Theatre must reduce its size and recon-

ceive itself, or close. The company gives a London season later this month - proba-bly its last Loodon season in its current form. The latest news is that LCDT will continue, but on an altogether smaller

The ironies of this situation are many, It is dismaying to find out how many of these decisions have been made, not by artists, but hy boards and administrators: chiefly noo-dance people, shaping the dance world to their will London Contemporary Dance School trains dancers to a very high level of technical accomplishment: a level that is actually far more virtuoso than suits many of the choreographars on the international new-dance scene. Alston, the first important chore ographer to emerge from the School and widely considered to be the finest dancemaker in Britain today, is one of the few choreographers who demands a high level of technique; and yet he remains a freelance choreographer without a company. (He has returned to LCDT, for which he made his earliest works in the 1970s, to create *The Perilous Night* for the forthcom-

Similar problems are to be found in many other countries. Dance today is simply in a dire state: a subject to which I will return. There will be more to say about both the Rambert and LCDT in the oear future. At present, the situation must be watched with the greatest concern.



BONN

Baethovenhalle Tonight: Musikfabrik Soloists play chamber music by George Crumb, Elliott Carter and others. Tornorrow: Fion Musicali music ensemble from Cracow gives a concert on original nstruments. Fri (Bad Godesberg): Rodney Friend, Tim Hugh and Yonti Solomon play piano trios by Beethoven and Malcolm Arnold. Next Tues (Stiffskirche): Bonn Chamber Chorus in music by Britten and Monteverdi (0228-773666) Oper Tomorrow and Sat: Valery Panov's production of Prokoeflev's ballet Romeo and Juliet. Sun: Spiros Argins conducts first night of Gian-Carlo dei Monaco a La fanciulla del West, cast led by Barbara Daniels, Sherrill Milnes and Alexei Steblianko (repeated Nov 19, 22, 24, 28). Next Mon: Renato Bruson song recital (0226-773667)

■ BORDEAUX

Barry Douglas plays plano concertos by Prokofiev and

Shostakovich, Orchestre National Bordeaux Aquitaine tonight at Palais des Sports. Next Wed and Thurs: Alain Lombard conducts Mahler's Sbdth Symphony (5648 5854) A new ballet production featuring choreographies by Ted Brandsen, Paolo Bortoluzzi and Erich Walter, set to music by Stravinsky, opens at Grand-Theatre on Fn, with four further performances over the coming week. Nov 23-27: Nederlands Dans Theater (5648 5854)

■ COLOGNE .

Philiharmonie Tonight: Colin Davis conducts Dresden Staatskapelle in Beethoven's Sixth Symphony and Brahms' First. Tomorrow: Jessye Norman song recital. Fri and Sat: Charles Mackerras conducts Cologne Radio Symphony Orchestra in works by Delius, Britter and Walton, with tenor soloist Philip Langridge, Next Mon: Andrei Gavrilov plays Bach. Tues: John McLaughlin and frienda (0221-2801) Opernhaus Tonight, Sun, next Wed and Sat: Tosca with Galina Kalinina. Fri: Billy Budd with Boja Skovhus and Victor Braun. Sat, next Tues and Thurs: L'Italiana in Algeri with Kathleen Kuhlmann and Ferruccio Furlanatto. Mon: Die Zauberflöte (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight: Hans Brenaa'a production of Coppelia. Tomorrow: Alexander Gibson conducts David Radok's new production of Peter Grimes, with Stig Fogh Andersen, Tina Kiberg and Norman Bailey. Fri: four choreographies by Balanchine, Sat: La traviata. Next Tues: Napoli. Nov 19, 20: Tokyo Ballet (tel 3314 1002

of Büchner's Woyzeck, directed

■ DUSSELDORF Schauspielhaus A new production

by Dimiter Gotscheff, opens on Sun. Repertory also includes Brecht'a Mr Puntila, Eugene O'Neill's Mourning Becomes Electra and three Shakespeare productions -Romeo and Juliet, A Midsummer Night's Dream and a new production of Troilus and Cressida opening on Nov 20, directed by David Mouchter-Samorai (tickets 0211-369911 information 0211-162200) Deutsche Oper am Rhein Tonight, tomorrow, Sun afternoon: Fidelio. Fri, Sat: Stravinsky ballet programme (0211-890 8211). Duisburg Theatre has Giselle tonight, Swan Lake tomnrow, Don Glovanni on Fri. first night of a new production of L'incoronazione di Poppea on Sat

and Salome on Sun (0203-300 9100)

■ FRANKFURT

Oper The main event this week is the first pight on Sun of Matthias Langhoff's new production of Simon Boccanegra, conducted by Sylvain Cambreling, with a cast including John Bröcheler and Barbara Madra (repeated Nov 17, 21, 24, 27, 29, Dec 2, 4, 8). Repertory includes Cosi fan tutte, Il barbiere di Siviglia and William Forsytha's ballet As

e garden in this setting (069-236061) Alte Oper Tomorrow: Sandor Vegh conducts Camerata Academica Salzburg in works by Mozart, Bartok and Haydn. Tomorrow (Mozart Saal): Andrel Gavrilov plays Bach. Sun: Michael Gielen conducts South-West German Radio Orchestra in Schoenberg and Beethoven, Tues: The Dubliners, Nov 25: an avening with Pater Ustinov (069-134 0400)

HELSINKI

Tha new 1360-seat opera house of the Finnish National Opera will be formally inaugurated on November 30 with Aulis Sallinen'a opera Kullervo, followed by a week of gala performances. These include a revival of Vladimir Bourmeister's production of Swan Lake on Dec 1, a new production of Carmen on Dec 2 starring Alicia Nafé and Josef Protechka, and a gala concert on Dec 4 conducted by the company'a new music director, Miguel Gomez-Martinez. Kullervo, Carmen and Swan Lake continue in repertory throughout December (Finnish National Opera, Box 176, 00251 Helsinki, Finland. Tel 358-0-4030

■ HAMBURG

Staatsoper Thnight: Fidelio. Tomorrow, next Tues: John Neumeier's version of Swan Lake. Frl, next Wed: Neumeier's ballet set to Mozart'a Requiam. Sat: La travleta with Tiziana Fabbricini. Francisco Araiza and Giorgio Zancanaro (repeated Nov 18, 24,

26). Sun: Christian Thielemann conducts Ruth Berghaus' production of Tristan und Isolde, with Wolfgang Fassler and Gabriele Schneut (repeated Nov 21, 28]. Mon: Waltraud Meier song recital (040-351721) Musikhalle Tonight: concert performance of Der fliegende

Hollander, Tomorrow: Nelson Freire

plano recital. Sun moming, Mon evening: North German Radio Symphony Orchestra. Sun evening: Leonard Slatkin conducts Saint Louis Symphony Orchestra in Bemslein, Claude Baker, Gershwin and Stravinsky, Next Tues: Beaux Arts Trio (040-354414). Naxt Tues, Wed in St Michaelis-Kirche: Nikolaus Hamoncourt conducts Brahms' German Requiem (040-351721)

MUNICH

Staatsoper Tonight, Sat: Le nozze di Figaro. Tomorrow: Gerd Albrecht conducts first night of Thomas Langhnff's new production of La Damnation de Faust, with a cast led by Thomas Moser, Jeanne Piland and Günler Missenhardt (repeated Nov 14, 17, 20, 24, 27. 30, Dec 2). Next Mon, Thurs, Sun: Elektra with Gwyneth Jones and Christa Ludwig, Next Wed in Cuvilliès-Theater: revival of Henze's Der Prinz von Homburg (089-221316) Gasteig Tonight: Enoch zu Guttenberg conducts Munich Bach Collegium In Brahms' Germen Requiem. Tomorrow, Fri: Sergiu

Celibidache conducts Munich

Tchaikovsky. Sun: Fabin Luisi

Philharmonic Orchestra in

symphonies by Haydn and

conducts Munich Radio Orchestra and Chorus in opera concert, with vocal soloists. Mon: Frieder Bernius conducts Stuttgart Chamber Chorus and Classical Philharmonic in Brahms' German Requiem (089-4809 8614)

■ OSLO

Konserthus Tomorrow, Fri: Eliahu Inbal conducts Olso Philharmonic Orchestra in Mahler's Seventh Symphony. Next week'a concerts are conducted by Hans Vonk. Lucia Aliberti sings opera arias on Nov 24. Mariss Jansons' next concerts are on Nov 25 and 26 (2283 3200)

■ STOCKHOLM

PENDERECKI FESTIVAL The Stockholm Concert Hall Foundation marks Krzysztof Penderecki's 60th birthday with a 10-day festival opening tomorrow with the premiere of a new versinn of the Polish Requiem, in which the composer will conduct the Royal Stockholm Philhamonic Orchestra and Chorus. The festival's ten concerts include more than 35 works for orchestra, choir and chamber ensemble, including tha Second, Third and Fourth Symphonies, the First Violin Concerto (Jan Söderblom), the Luke Passion and Utrenja I and II. In addition to prominent Swedish musicians, the festival includes performances by the Crecow Philharmonic Orchestra and Chorus. Mstlslav Roatropovich and Tabea Zimmermann (tickets 08-102110 information 08-212520)

ARTS GUIDE Monday: Berlin, New York Tuesday: Austria, Belgium, Netherlends, Switzerlend, Chicago, Washington. Wednesday: France, Garmany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (All times are Central European Time)

MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financiel Times Reports 0630 Wednesday Super Channel: Finencial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130 Fridey Super Channel: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel

Financiel Times Reports 0930 Sky News: West of Moscow 1130; 2230

Sundey Super Chennel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky Nsws: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030



Every single day in 1992 nearly 10,000 people around the world were forced to leave their countries. hringing the total number of refugees

18.2m hy the beginning of this year. An even larger number at least 24m - have been forcihly displaced without technically becoming refugees, since they are still inside their own country's horders. Add the two figures together and you get the population of a fair-sized

The de facto ruler of that country is the UN high commissioner for refugees (UNHCR), Mrs Sadako Ogata. has doubled since 1989. At last count she had a staff of 3,703 people - 810 at her Geneva readquarters, 2.893 deployed in 106 countries across the world - administering a hudget of

UNHCR's finances are almost as precarious as those of the people it is trying to help. Less than 5 per cent of lts annual expenditures are cov-ered by the UN regular hudget. All the rest comes from voluntary contributions, mainly from national governments. Every new emergency triggers an appeal for funds.

This system has its merits: it decreases the risk of UNHCR developing into a large perma nent hureaucracy with little to do, as has happened with some of the UN's more autonomous specialised agencies. But it does make it very directly dependent on the goodwill of the main donor governments, whose priorities do not necessarily coincide with the inter-

Partly for this reason, there has heen a marked sbift in UNHCR's emphasis over the last three years. In the past its main focus was oo the right of asylum. Now it has broadened its approach. Both in northern Iraq and in the former Yugoslavia it found itself supporting displaced people within their country of origin in an effort to prevent them from becoming refugees, at least in the technical sense. Drawing on those experiences lt has devoted more and more resources to preventive work, seeking to identify mot causes of refugee problems, to be better prepared to cope with them and, where possible, to propose solutions.

Es

Home and away

Refugees and other displaced people pose a growing problem

cum-placement-agency it has developed into something close to a full-fledged government, supplying its clients with a full range of services and dealing with other governments on their behalf. The report Mrs Ogata published yesterday on "the state of the world's refuthe first of its kind, is a

kind of policy statement. Clearly she is right to draw attention to the causes of the problem and to advocate that as far as possible they be dealt with at source. Yet many inde-

Western Europe is a fortress, guarded by a moat of impoverished but 'safe' countries

pendent observers are uneasy

about the extent to which

UNHCR is now taking on political tasks, and fear that it is failing in its traditional role of upholding the right of asylum. Prof Gil Loescher, for instance, a leading expert in the field who is himself a memher of UNHCR's advisory board, nonetheless argues in a new book that "UNHCR's dependence on voluntary contributions forces it to adopt policies that reflect the interests and priorities of the major donor countries". He cites the example of aid levels per Afgban refugee during the 1980s, which were more than three times higher in pro-western Pakistan than in anti-western Iran; and the 1991 Gulf crisis, when International aid to lraql refugees ln Iran was much lower than to those in Turkey and elsewhere.

Similarly, It is clear that the operation in the former Yugoslavia, where nearly 4m people are now dependent on UNHCR

relief, is in essence an exercise in containment, designed to keep those people where they are. Without it, at least a third of them would probably he spreading across Europe, douhling the number of asylum seekers. Yet even as it is, west European governments are spending an estimated 87hn a year on processing asylum

applications. Western Europe is becoming a fortress, guarded by a moat of impoverished hut "safe" countries which asylum seekers have to pass through, and to which, under currently prevslling doctrine, they can therefore be sent back unexamined. UNHCR is critical of this policy, hut its criticism is muted by the need to retain

support of donor governments. Meanwhile, as Barbara Harrell-Bond, director of the Refugee Studies programme at Oxford, points out in the latest issue of War Report, the relief programmes in host countries like Slovenia and Croatia are based on a model "which serves to marginalise refugees and displaced persons as dependent minorities". They inevitably become the object of growing resentment among the adigenous population, rather than being encouraged to supnort themselves and make a useful contribution to the host

It is true that host govern-ments prefer this model, hoping it will encourage the refugees to go home as soon as possible. But they may well be mistaken about this. According to Ms Harrell-Bond; "Experience suggests that the first people able to return home are those who have succeeded in securing themselves and in saving up for rehuilding their

lives on their return," They are going back in Camhodla, Afghanistan and Mozamhique, where cold-war-related conflicts have been or are heing resolved. But where conflicts reflect ethnic divisions, as is more and more often the case, the chances of restoring ethnically mixed populations to their homes are much slimmer. We have to face the fact that many refugees will never be able to return. They must be allowed to find new homes, and helped to rehuild their lives ln a new homeland.

¹Penguin, £8.99|\$14. ²Beyond Charity, Oxford, £25|\$35, ²Bulletin of the Institute for War & Peace Reporting, 1 Auckland

hen Mr Brandon Gough, chairman accountants Coopers last year that he would he standing down in April 1994, he could not have envisaged the upheaval that would ensue.

Since then, a hotly contested and distracting election battle has brewed in the fight for the top seat in the UK's largest accountancy firm. Ballot papers naming the four candi-dates on the shortlist are being sent out to all 700 UK partners today.

"Everywhere you go in or out of the firm, whatever you're doing, the subject comes up," says one Coopers' partner.
"A chairman greeted me at an AGM like an old friend the other day, and his first question was how the race was

A partner from a rival accountancy firm adds: "Suddenly everybody there has got involved in politics. There is so much canvassing that no one

is doing any work." At stake is a five-year term as the head of a fast-changing organisatiou which last year generated £553m in fees, and employs 9.800 staff in 36 offices around the country. The chairman also has considerable influence in Coopers' separate international network, which has more than \$5.3bn in hillings, 4,500 partners and 67,000 staff in more than 730 offices worldwide.

"The joh of the leader is to get 700 highly talented, highly egocentric partners to go hroadly in the same direction most of the time," says one partner. Those vying for the

 Adrian Lamh. Partner in charge of the regions, and previously a regional partner for the south and east regions of the firm with a number of prestigious audit clients. A quiet consensus-huilder, he has Brandon Gough on his slate.

 Alan McFetrich. An executive partner wbo was national managing partner at Deloitte Haskins & Sells before it merged with Coopers in 1990. He has worked outside the firm on secondment to government, hut has relatively little client contact now. He has a reputation as a tough, single-minded

 Peter Smith. Head of Coopers' City office in London. with many financial service clients. Described hy one partner as "closest to Brandon's command and control approach". He has an image as a relative traditionalist in his attitude to management.

Richard Stone, Head of cor-

Bottom line on assets and liabilities

Andrew Jack examines the openly contested battle for the top job in UK accountancy

porate finance, and previously head of the firm's insolvency practices in London and Birmingham. The only candidate not part of the firm's current senior management team. A drawback is his reprimand by the Institute of Chartered Accountants in England and Wales earlier this year for a hreach of ethical guidelines in accepting the appointment as administrator to Polly Peck International when Coopers had undertaken other work for the company and its chairman. Mr Asil Nadir, now a fugitive

northern Cyprus. Coopers has done its best to keep the election debate private. Candidates have been urged not to speak to journalists, and many other partners loyally remain silent when the subject is raised.

By contrast, the election process has been unusually open, pitting the four candidates against each other in open competition. Traditionally, the senior partner or chairman in a British professional firm has tended to be just that the longest-serving partner, who assumes the joh almost automatically before retiring. Where that has given way to a search among rivals, a small group has generally heen established to "take soundings" and select a consensus candidate in secret.

For instance, at KPMG Peat Marwick, the UK's second-largest accountancy firm, all partners formally voted on Mr Jim Butler's replacement as senior partner in April. But there was only one candidate, and the ballot papers were all numbered, which raised fear of reprisals against those who might have contemplated vot-ing "no" to Mr Colin Sharman.

Brandon Gough himself did not endure a public process at Coopers & Lybrand before takng up his position in April 1983. He says he was one of four candidates considered by a nomination committee, which then "culled" the others. Five years later, be says. "there was not much stomach for a competition", and his was automatically term renewed. It was extended for a further year following manage





The front-runners in a hotly contested election: clockwise, Peter Smith, Richard Stone, Adrian Lamb and Alan McFetrich

ment changes as a result of the merger with Deloitte. If Gough had prevailed, his successor would have been

chosen behind the scenes. But in an unusual display of power, tbe partners - who are also the firm's shareholders - exerted their ownership rights.

The firm's "partnership deed" decrees that the governing hoard - 13 partners selected by the chairman - is responsible for determining the process to select a new chairman. Early last year it got to work. It proposed, according to Gough, that a nomination committee be chosen, to include all members of bis hoard whowere not themselves standing as candidates. It sald this committee would identify one partner to "emerge" as winner.

convinced. Their objections culminated at their annual meeting at the National Exhibition Centre in Birmingham last December. The dispute led to revised proposals for a 25-member nomination committee elected from among all the partners, which would draw up a shortlist of four - all of whom would be seen and voted

on by the entire partnership. The first few months of this a list of about 98 candidates those who would sit on the committee, Each represents a constituency of other partners: manifestos. By the end of

August, 16 had been received:

Through two days of internal

presentations, the committee whittled the list down to four. "It was one of the most ghastly processes and procedures ever devised," says one partner who

was involved. in the past two weeks, the four have been on the hustings together, giving 15-minute pro-sentations and then responding to partners' questions; twice in London, once in Birmingham and once in Manchester. Here they have laid out their vision of the firm's future: including proposals for reorganising internal management, simplifying the regional structure and boosting the firm's international activities.

Given that the election is by single transferable vote, and administered by the Electoral Reform Society, the process leading to a result on Novem ber 23 seems to be open and

Some insiders say the choice is between administrators and ders; or between those who believe the firm should respond to clients' needs against those who will allow it to be driven by the services it has traditionally offered. Many partners say they will be swayed by performance on the hustings, or by the manage-ment team each candidate has publicly proposed. As Gough says, the job is that of "a

ersmen, not the carmen Some tensions still run deep from the Delokte merger three years ago, which may persuade former partners of that firm to support McFetrich. These linked in London or the regions may opt for Smith and Lamb respectively as the čen-didates they know best.

For Stone, the principal chal-lenge is whether his image has been taxnished by Polty Peak. A few weeks ago the nomina-tion committee received a memo from Sir Christophe Poster a senior Coopers' partner and consultant to the gov erinnent, suggesting that eye brows in Whitehall might be raised were Stone appoint

in response, Sir Tim Bell. Mrs Theither's public relations advisor, wrote in support of Stone that the Polly Pock issue would be a 48-hour wonder, which would not damage the

Whate partners will be glad when ends. The process has bee dreadfully over democratic, In July, invitations were sent a big margin to show 700 per-out for potential candidates for the that denticities can work. Gough's job to submit their. Whether it going to produce nominations and supporting the right result is a different matter. I'd have thought we

EARNINGS IN THE FT

Readers of the FT's London Share Service pages will have started to notice a capital N against the names of some companies.

The N symbol means that the version of the company's earnings used in the FT's statistical calculations now follows the "headline earnings" formula devised by a subcommittee of the Institute for Investment Management and Research (IIMR) and proposed in draft form (still subject to final review) in early March.

This formula represents a broad consensus on the "single number" that should be used for UK companies' earnings under the Accounting Standards Board's Financial Reporting Standard 3.

The IIMR headline earnings formula emphasises a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

Number One Southwark Bridge, London SEI 9HL.

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set for finest resolution.

Smith's muddle a sign of Labour's Euro mess

Sir. Last Friday John Smith signed the Labour party up to a European manifesto which includes, among other things, a compulsory maximum 35hour week for industry. This created uproar in the media and throughout industry in general, so much so that by Saturday morning he was saying that he did not really mean.

it after all. Are we to understand that Mr Smith doesn't read what he signs? Or, perhaps he simply doesn't understand what he is signing. I would be very worried if one of my Amstrad he knew what he was doing when be signed and then went hack on his word 24 hours later. Surely, if someone signs a manifesto they do so committing themselves to all points within It. Does Mr Smith think he can pick and choose? Maybe he read it in a hurry rushing from one strike-hound Air France flight to another. I mean, let's be fair, ground staff

blokes did deals on that basis, I

at Charles de Gaulle only

wanted to work fewer hours, and be guaranteed jobs for life. The other "brain wave" in the manifesto is the promise that taxes on business will be "levelled up" across Europe."

would be for Britain Has W Smith thought of the reasons why Japanese and American industry flock to the UK? Apart-from all of the advantages of grants etc that we have to offer, it is because the UK has the lowest level of corporation tax anywhere in the EC. If you make corporation tax standard across Europe our Japanese colleagues will be building factories in the sunny south of France, and if there is no tax break they might as well enjoy the weather.

The level of corporation tax we have in the UK is accepted by business as reasonable and

would be even more worried if Imagine how disastrons this thus, the attention of industriity and profit. It would be horrific to consider busine turning their attention to running three sets of books as the Italians and Spanish have done

for years. Will Mr Smith please tell us whether putting business taxes up is part of Labour's European policy, or is this another thing that he did not realise be had signed? Alan Sugar,

chairman, Amstrad, Brentwood House, 169 Kings Road -Brentwood, Essex CM14 4EF

time in order to maximise the

profits, maybe by introducing better quality goods, maybe

exploiting temporary opportu-nities which are then competed

away by rival companies enter

Any first year economics

undergraduate knows that

ling device of a market econ-

omy; interfere with this and

you prevent competition from

ing the market.

A bad democratic idea

Sir, Samuel Brittan (Economic Viewpoint, November 4)

concludes: "The main case for an independently accountable [my italics] central bank is not that it can magically hring price stability at a zero cost. It is the case for having one body clearly responsible for monetary policy, which could not then be blamed on some amorphous amalgam of politicians, officials and central bankers as

He goes on to argue: "More over, it is a good democratic idea that fewer decisions ahould be taken by a central government. constantly looking over its shoulder at its parliamentary majority, and that more should be taken by that more should be taken by 7 Hillingdon Road, other hodies accountable in Manchester M25 7QQ

other ways." He destroys his own case by not giving us any definition of "accountable" other than that other bodies should be "accountable in other ways".

The real case against him,

however, is that no government would, or should, give up responsibility for its central, and essential, control of the economy. For monetary policy is about very much more than price stability. It goes to the very heart of economic policy, and cannot be left to another quango with an ill-defined form of "accountability". That would not be a "good democratic idea". It would be a very bad one.

Queens Moat valuations

From Mr Clive Lewis. Sir. The Lex column's comment on the Queens Moat House issue (November 2) fairly draws attention to the case for a review of valuation procedures. I agree. I said so publicly in July and then put in hand a special review under the chairmanship of Michael Mallinson, formerly property director of Prudential Portfolio Managers. This brings together both valuers and their clients, to ensure that the service is properly tuned to market needs. The question of companies publishing their valuation criteria is an important ele-

The review team welcomes evidence from any quarter, recognising the importance of a

dialogue with our customers

on these important issues. in putting this in hand have made no instant judgment on any individual set of valuations. In the current controversy, the chairman of our assets valuation standards committee has - as you report - asked for sight of the relevant valuation certificates. Clive Lewis,

Royal Institution of Chartered Surveyors. 12 Great George Street, Parliament Square, London SW1P 3AD

Bank governor's advice to industry 'nonsense'

From Dr Stefan Szymanski. Sir, Mr Eddie George's comments on the rule of business in fighting inflation ("Bank governor tells businesses to hold margins", November 4) left me wondering quite how he imagines the world to be organised outside the confines of Threadneedie Street. 'H we can persuade you that we will deliver sustained non-inflationary growth, I would hope we might see businesses seeking to generate profits through higher volumes and less

through higher margins."
What is this nonsense? What does the Bank of England produce, manufacture, distribute or retail which will generate growth in gross domestic product? The Bank does not produce anything which measurahly adds to GDP. It is companies that produce goods and services which are sold to satisfy the needs of consumers And they being told not to change their prices. In a mar-

working effectively. Perhaps Mr George is concerned by the lack of competition in British industry, but then he should speak to the Monopolies and Mergers Commission rather than issuing Canute-like existtations to industry. Of course, perhaps Mr George did not mean his comments to be taken seriously. If so, he has succeeded.

Stefan Szymanski, lecturer in economics. Imperial Callege. 53 Prince's Gate, ket economy competitive com-Exhibition Road, London SW7 panies change prices all the

Dairy origins of Sainsbury

From Lord Sainsbury. Sir, David Richardson in "Farmer's Viewpoint" (November 9) refers to "the small butcher's shop of the original Mr Sainsbury".

The shop which was opened by my grandparents, John James Sainsbury and his wife Mary Ann, was a dairy shop, London SE: 9LL

not a butcher's. It was this shop, which they opened in 1869 at 173 Draw Lane, that began the family business which flouristies today. Samsbury Stamford House,

Talking about Hong Kong

HONG KONG'S has been among the most successful economies of the postwar era. With its combination of free markets, open trading, rule of law and small but socially relie of law and small but socially responsible government, its prosperity is the clearest advertisement for enlightened capitalism. Income per head will, by the time of its transfer to Chinese soveraignty in 1997, exceed that of Britain, its present guardian. Brit-ish ministers who meet today to map out policy on Hong Kong are discussing a valuable jewel.

R is pointless to dwell at this

stage on the fact that Britain's approach to Hong Kong has been inconsistent and that the attempts of Mr Chris Patten, its governor, to broaden democracy came far too late. Mr Patten staked out a principled position a year ago of modest expansion of the electoral franchise. Britain must consider the best way to pursue this goal, which appears to command major-ity support in Hong Kong. Mr Patten is right to insist that Hong Kong's economic success will be undermined unless, in line with China's "one country, two systems" principle, it has robust and independent institutions. If it does not, the legal system and press freedom will quickly be poisoned. These are worth fighting for, however belatedly.

Action plan

The British negotiators who hava sat through 15 rounds of talks with intransigent Chinese officials may feel that there is little to be gained from further discussion. But on the point of their departure to put this view in London, they have had, in the words of a senior Hong Kong official, their "cloak tweaked". The hint of an offer from Beijing to agree on the easy parts of Mr Patten's proposals may be nothing more than an attempt to prolong talks with no actual intention of concluding them. It may prevent a clear-cutdecision today, but it does not stop ministers from planning future courses of action based on Beijing producing, or failing to produce, further evidence of will-

would reduce whatever leverage Britain held over China virtually to nothing. The Chinese, knowing that their principal objective of sovereignty has been achieved, could happily filibuster away Mr Patten's proposals until they could not practically be put into effect. China's objections may in any case be so fundamental that no agreement is possible, particularly if its real intention is to keep soma of Hong Kong'a more vocal democrats out of post-1997 politics. However, while talks continue, it remains possible that China will decide that they should be brought to a successful conclu-

Middle course

China'a latest suggestion opens the possibility of a middle course which has short-term attractions: to put some of the Patten proposals into law with China's acquiescence while still negotiating on the most difficult points. It may win a little time, but carries the same risks of endless talks. The dangers of the third option,

a rupture of talks, are greater China insists that it will simply dismantle whatever electoral arrangements are made without its agreement. It may take other reprisals. Hong Kong would go through a damaging period of uncertainty. One cause of such uncertainty would be the attitude of LegCo, which must legislate electoral arrangements. It may well opt not to upset China.

Allowing LegCo to decide how far to go would, however, allow a measure of choice within Hong Kong about its future. If China then tore up what it had decided, people in Hong Kong would at least know where they stood and could plan their futures accord-

Ingly.

The point at which London should pull out of talks has not yet been reached. But the option must be retained - and it may have to be exercised soon. It remains in China's strong interest to secure a smooth transfer of Hong Kong, China is itself the biggest investor in the territory. It Britain has three options to Kong will be closely watched in Carry on talking, to cause the talks to be broken off, or to try to pursue a course in between Each talks on Mr Patten's proposals. It pursue a course in between. Each carries risks. A clear intention to

Labour relations in Europe are not all gloomy, but there are some ominous trends, says **David Goodhart** triking Air France workers wearing masks block runways at Orly airport in Paris. Beefaaters at the Tower of London go on strike in protest at government

Wintry whiff of discontent

reveals a less inrealering and more confusing picture – one that nevertheless cannot be ignored by Mr Jacques Delors and other European Community policymakers seeking a blueprint for lower unemployment Socialist Workers party that is try-ing to remove some of the formidable obstacles to sacking workers. Finally, domestic and international competition has made industrial action in the private sector increasingly counter-productive. "Unions are no longer targeting the means of production but are aiming at high-profile protests, such as closing down motorways," says Mr Denis MacShane a lesding interna-

tional trade union official. Despite these developments, the rumblings from Europe's weakened workers underline three ominous

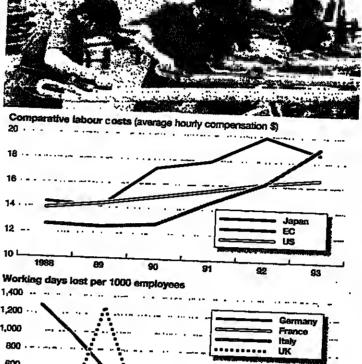
 The problems of union decline. Weak unions are no guarantee of industrial harmony. France, the centre of the most eye-catching recent disruption, has the lowest rste of unionisation in the Organisation for Economic Co-operation and Development. But Mr Michel Giraud, labour minister in the centre-right government, says he would like to be able to consult with stronger unions, because they would be more receptive to compromise.

Unionisation is denser in the French public sector than in the private sector, but the loose bold that union leaders have over the rank and file, even in the public sector, prevented an early conclusion of the dispute at Air France.

In many other EC countries, union strength is declining in the workplace even when they still have an important influence in national politics. In France and Spain, unions have concentrated on political lobbying and have gradually withdrawn from the messy business of representing real people with real concerns over job security and pay. At local level, the vacuum left by weak unions is being filled by ad hoc, and often aggressive, "co-ordinations" - growing fast in Italy and France.

 The just-in-time strike. Traditional strike action may be going out of fashion but a short, well-directed industrial blow can cause more damage than in the past. The closure of Orly airport by a few Air France workers illustrated how vulnerable modern economies can be to small-scale direct action. This is a French tradition - the

Unions: trouble on the labour front?



word sabotage comes from the French word for wooden clog, which workers used to throw into their machines - but it is not peculiar to France. In Italy recently, employees of Enichem, the stateowned chemicals company, carried out a violent occupation of their Crotone plant. The result was that the government shelved a plan to

close the plant. Just in time manufacturing techniques, which drastically reduce stocks, have exacerbated manufacturers' vulnerability. Two years ago fewer than 200 Arab workers at a Renault plant in Cleon, northern France, stopped making car engines and within days the entire Renault operation had come to a halt. New technology also allows small

groups of workers to inflict disproportionate damage. In the UK in 1989, strike action by a handful of computer operators stopped all local tax collection in Birmingham.

 New social contracts under threat. Most worrying, recent protests indicate that some EC governments might have to push through jobs and competitiveness packages without organised labour's support.

In both Spain and Belgium important sections of organised labour appear determined to reject "social pacts" which would create jobs, but also bold down wages for three years. In Spain the government's proposal includes an overhaul of costly dismissal procedures and in Belgium a reduction in employers'

social security payments.
Such bostility bodes ill for Mr
Delors' Job creation plans. Next month he should publish a consultative paper arguing that over the long term the proceeds of European economic growth should be shared more widely and not appropriated by those in secure jobs.

European unions fear his propos als could mean tax cuts for employers but wage cuts and longer hours for employees, with no guarantee of higher employment. One EC official said: "It's not much good sharing out growth if there isn't any."

t European level the unions are likely to be offered the trade-off of legislation on European works councils - forums for informing and consulting workers in multinational companies. This is a low-cost item for companies but passionately desired by unions, which view it as a step towards Europe-wide bargaining.

At national level, or company level, trade-offs are more problematic for the unions. But the idea of reducing working time with a corresponding cut in pay – thus leaving unit labour costs broadly unchanged – is attracting growing political support.

For instance, Volkswagen, Germany's problem-hit voluma carmaker, is promoting the idea of work-sharing to avoid mass lay-offs. And a recent opinion poll in Germany found that half the population would work a four-day week for a reduced income.

The European Commission and the French government also back the idea; the latter has just passed legislation to reduce companies' non-wage social costs if they cut the working time of existing workers by 15 per cent and hire at least 10 per cent more workers.

However, many leading industrial employers doubt that work-sharing is compatible with bolding down unit labour costs. Equally sceptical, Air France workers reflected the reservations of many by rejecting a pay cut to sava jobs.

Organised labour in Europe does not have the veto power it once did. But the events of the past few weeks suggest that It remains a factor to be reckoned with, at least in those countries where its rights are enshrined in law. If governments across Europe want union support for innovative plans to cut unemployment, they still have some per-Europe cannot afford to miss Asia boat

keep talking whatever happened participation means something. Private phones in Europe

FIVE YEARS ago British Telecommunications was tha odd man out of the European telecommunications industry. State ownership of national telephone operators was the norm and the UK government's privatisation of BT

was considered eccentric. But over the coming five years private ownership is likely to become tha norm. Germany, Italy, the Netherlands and Denmark have all announced plans to sell shares in their telecommunications carriers. France is expected to do the same, though France Telecom is not on the Balladur government's initial privatisation list. Even Greece's socialist gov-ernment, which campaigned against the privatisation of OTE during the recent election, has not totally turned its back on some

form of private ownership.

The motives behind the trend to private ownership are mixed. A belief in the greater efficiency of private enterprise and the benefits of competitive markets - the prime motive behind the BT privatisation - is sometimes a factor. The Netherlands, for example, is encouraging the country's rail-way, cable television operators and electricity utilities to join forces to compete with a privatised KPN.

But in most countries financial considerations are often decisive. By selling stakes in the phone companies, cash-strapped governments can both plug their fiscal deficits and attract private capital to finance appensive network investments. The need to continue investing vast sums in eastern Germany was the factor which finally persuaded Germany's opposition last week to remove its veto on privatisation of Deutsche Tele-

Forming alliances

Yet another motive for privati-sation is a perceived need to respond to global competition by forming alliances. Such alliances are easier to cement if the partners are privatised and so can take stakes in one another. The current collaboration talks batwaen France Telecom and Deutsche Telekom may lead to

share swaps.

delivering lower prices, better quality and increased choice. But there are also dangers. First, most governments are not opening up their markets at the same time as privatisation but waiting until they are forced to by the European Commission. Since this will not happen until at least 1998, monop-olistic operators could lack the incentive to change their cultures. Second, many governments want to keep substantial shareholdings so they can still influ-ence key decisions. But too much political interference will compro-mise the efficiency and dynamism which would flow if management were free to manage in the light of commercial objectives. In so far as wider political objectives, such as the provision of universal service, need to be safeguarded it is preferable these are imposed transparently by an independent regulator.

Disturbing desire

Third, several governments are showing a disturbing desire to use alliances to block global competition. That seems a motive in the Franco-German talks and the par-allel discussions between the duo and American Telephone & Telegraph, the US giant.

There should cartainly be no ban on restructuring an industry which has been artificially frag-mented on national lines. The creation of trans-European networks could abolish the "frontler effect" under which the price of toterna-tional phone calls is three times that of national calls, and give users the benefit of one-stop shopping. But it is important that competing networks emerge from the restructuring process, not a pan-European or transatlantic cartel.

These dangers can be overcome, but only if both governments and the Commission have a clearer focus on liberalisation. At a national level, the priority should be to open up markets at the same time as privatisation, while establishing vigorous regulatory bodies to ensure that competitors gain fair access to monopoly networks. At the European level, the need is to discriminate between anti-competitive alliances and those which enhance competition. The Com-mission will also need to be more ambitious about its liberalisation

For those of us living in Hong Kong, at the heart of the Asia-Pacific

plans to shake np the civil service.

Workers in Italy and Germany take to the streets against government economic policy in Spain and Bel-gium unions threaten to wreck

social pacts designed to create jobs.

The events of the past fortnight might indicata that Europe is heading for a winter of industrial protest. But a closer examination

reveals a less threatening and more

and greater competitiveness.

Much of the recent disruption has been limited to the public sector.

Even hers, nationwide protests have involved at most one-day stop-

pages. In none of the countries men-

tioned has there been any signifi-

likely to continue aporadically, token protests must be viewed in

the context of a continent deep in

recession, with most governments pruning public spending in their efforts to contain large budget defi-

cits. "What requires explanation is

why strikes are so rare despite pain-

ful industrial restructuring and strong downward pressure on Euro-pean wage rates, says Mr Peter Reid of the British Engineering

The presence of 18m unemployed

in the EC is part of the answer. The

Air France dispute was about job

security not pay. Similarly, protests in Italy and the UK have been pri-

marily about jobs. And IG Metall, the German engineering workers'

union, says this year's crucial pay

round is about employment first

be found in the fragmentation of

Europe's labour movements. The

collapsa of the Soviet Union has

accelerated the decline of commu-

nist-led union federations in Spain

and France. In France, the commn-

nist CGT no longer holds the major-

ity of seats on the workers' commit-

tee at its one-time stronghold at

Renault. Other former communist

federations such as the CGIL in

Italy have changed strategy and supported, for instance, the end of the scala mobile which linked pay to

Meanwhile, the non-communist

union federations - Christian demo-

crat, socialist or social democrat -

are often linked to parties that see no virtue in public ownership for its own sake and in many cases recog-

nise the need to introduce more

flexibility into labour markets. In

Spain, for example, it is the ruling

Another part of the answer is to

Employers Federation.

and pay second.

inflation.

While public sector sction is

cant unrest in the private sector.

region, these are heady times. Every statistic shows the PERSONAL dynamic in the WIEW world, and likely to stay that way for the decade ahead.

The latest report of the Asian Development Bank predicts that tha region's developing economies will achieve average annual gross domestic product growth of 7 per cent this year, compared with less than 2 per cent for developed countries. China, whose GDP growth has averaged 9 per cent over the past decade, is tipped to grow a further 13 per cent this year, and 10 per cent next year.

Pause a moment and think what that means for Asia's potential as a consumer market: an economy of 1.2bu people - about a quarter of the world'a population - growing at

about 10 per cent a year. A naw age of consumerism is emerging in Asia bringing breath-

taking opportunities for trade and investment. To illustrate the point:

By 2000, the economies of Asia will together be larger than those of Europe or North America, and will be home to two-thirds of the world's population. The number of affluent Asian households, with an annual income of \$30,000 or more, will rise by 50 per cent, to 50m homes. Average incomes in Hong Kong and Singapore equal the European average, and are already higher than those in the Irish Republic, Greece

and Portugal. · Asia's imports from Europe amounted to \$129bn in 1991 - \$21bn more than US imports of European goods. The region is already the largest buyer of Europe's food, chemicals, machinery, and textiles and clothing.

For its extraordinary potential to ba realised, Asia needs tha full engagement of companies from all regions, especially the advanced industrial economies. Indeed, Asia would not be where it is today, at the heart of international trade, without immense investment from countries outside the region.

But is Europe going to play the

same role in Asia in the years ahead that it has played in the past, or will it look inward to the Single transition, while comparatively smooth, has not been free of economic and political difficulties. But European Market as it struggles with recession? We see executives preoccupied with forging links with the emerging economies of east and central Europe. Will these priorities keep investment and management

A new age of consumerism is emerging in Asia bringing with it vast trade opportunities

on the margins - at a time of unpar-alleled opportunity? I raise this because I feel uneasy about forecasts suggesting that the economies of east and central Europe will, within the decade, emerge from their transition from command economies. Hong Kong's

attention out of Asia - or at least experience as mainland China's

principal joint venture partner in

economic reform suggests that the transition will take longer. China's

by capitalising on a range of advan-tages, it has been able to put perestroika ahead of glasnost and moti-vated hundreds of thousands of entrepreneurial overseas Chinese to invest in their bome provinces. Hong Kong on its border has acted as a funnel for potential investors. an efficient entrepôt, and as a base for Chinese companies to learn the ways of market economies. If solutions to Europe's complex economic problems are to take

years to unfold, can European companies afford to bury themselves in long-term prospects if it means neglecting opportunities to profit now from buoyant growth in

Opportunities in Asia may no longer exist once Europe has put its bouse in order. The US, for example, is hosting a meeting of the Asia-Pacific Economic Co-operation (Apec) forum in Seattle next week, which is intended to forge closer economic links between the US and wider Pacific region. The US has unveiled an export promotion programme intended to boost annual exports from almost \$700bn at present to \$1,000bn by 2000, with Asia as an important target for growth. Unless European companies move quickly there is a real possibility of missing the boat in In raising the alarm my motives

are not entirely philanthropic, because we in Asia will also pay a price if European companies are not fully engaged in the region. As leadere in innovation and high-tech production in many sectors, we need the stimulus Europe's companies would bring.

In short, we need Europe's companies in Asia. Hong Kong can pro-vide a principal gateway to a new economic alliance between east and

Victor Fung

The author, who is chairman of the Hong Kong Trade Development Council, will be speaking at a conference in London today on the future of Hong Kong.

OBSERVER

Dealing a tough hand

 Have you noticed that despite Edouard Balladur's attempts to appear even handed in his reshuffle of France's public sector chairmen, socialist business leaders seem to have landed the most difficult jobs?

Take the highly respected Jean Peyrelevade, adviser to Pierre Mauroy's government in the early 1980s. He was not best pleased at being removed from the top of Union des Assurances de Paris to make way for Jacques Friedmann a Gaullist and confidant of the French prime minister. His reluctance is easy to explain. Tha in-tray he inherits from Jean-Yves Haberer at loss-making Crédit Lyonnais is brimming with problems, from real estate losses in France to the debt-burdened

MGM studios in Hollywood. Haberer, himself a socialist appointee, is paying the price for his costly expansion strategy. His move to Credit National – a much smaller institution than Crédit Lyonnais - is regarded as a demotion. Foreign shareholders in the bank are also disgruntled because they were not properly

Even Haberer, however, may consider himself lucky. Christian Blanc, a friend of socialist leader Michel Rocard, and Balladur's choice as the new head of Air France, has this week started to

wrestle with the airline's workers. His task - to return the carrier to profitability without involuntary job cuts - could be the public sector's most poisonous

Empty house

Still on the subject of political patronage, bets are starting to be laid on who is going to get the chairmanship of the Housing Corporation, one of Britain's biggest

quangos.
Chairman Sir Christopher Benson is moving to the Schools Funding Agency in April and yesterday the government announced that one esibla successor, deputy chairman Sir Norman Wakefield, was stepping down later this

Given that the Housing Corporation spends about £2.3bn making it Britain's biggest house builder - its budget could come under attack in the next round of government cuts. Even so there are plenty of big names in the trade with time on their hands.

Str Eric Pountain steps down

as chairman of Tarmac in a few months, and Sir Clifford Chetwood. the ex-chairman of Wimpey, or Sir Nigel Broackes, the founder of Trafalgar House, would fit tha bill on past form. It'a the sort of post which in olden days would have counted towards a peerage. Of the existing board members, solicitor David Kleeman's name



'My Mum's responsible for all the ills of the world – what's your Mum do?'

has been mentioned. But as is indicated by Sir Norman's imminent departure, the job is likely to go to an outsider.

Euro-burble

■ Life at tha great Euro-show in Strasbourg will be markedly duller when MEP Madron Seligman checks in his dispatch hox next June. Seligman, who hails from the engagingly-named Sussex village of Nuthurst, regularly added a little colour to proceedings at the European Parliament by sporting a pink carnation furnished

gratis by the Alsacian city fathers. Never a shrinking violet, Seligman, who entered the Guinness Book of Records for the size of his majority in the 1979 Euro-elections, was on Monday evening reminded of an early piece

of self-publicity.

Speaking at Seligman's 75th birthday party, fellow Balliol College alumnus Sir Edward Heath recalls playing the organ at his

friend's wedding. Confronted at the last minute with a sheet of music, Seligman in D, Heath duly sight-read the unfamiliar opus. Nearing the end, the bride was nowhere in view. so he returned to the top. The congregation finally heard Seligman in D 11 times.

Well, those Euro-MPs do go on.

Wanted man

■ UK-Brazilian relations have warmed considerably in almost four years since the sociable Paulo Tarso Flecha de Lima arrived as Brazil's ambassador to London. Tarso - who was appointed to the London post by now disgraced President Fernando Collor - is leaving at the weekend for the US where he becomes ambassador to Washington.

The outgoing ambassador is given much of the credit for persuading the British government, in the absence of a formal extradition agreement between the two countries, to start unprecedented

special extradition proceedings against Paulo Cesar Farias, probably Brazil'a most wanted man.

Farias – who fied Brazil and was living in London – was allegedly at the centre of a big corruption ring whose discovery eventually brought down Collor. However, since a warrant was issued for Farias's arrest last Monday, Scotland Yard appears to have seen neither hide nor hair of Farias.

Living proof

Legal, decent, bonest and truthful - it's tough going for advertisers to stick to the Advertising Standards Authority's strictures. But now the four commandments have tripped up a church; the ASA's latest report, unveiled today, records that a complaint has been upheld against the Peniel Pentecostal Church of Brentwood, Essex.

According to its ad in a local newspaper, guest speaker Archbishop Benson Idahosa had raised eight people from the dead". Following a complaint from 8 member of the public, tha ASA concluded that the advertisers were "unable to provide substantiation" for the claim.

Slice of life

■ Thought for the day. What's the quickest way to a man's heart. A knifa in the back.

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In general, privatisation is likely to be beneficial. In the UK, it has spurred BT to greater efficiency, achieve its full potential.



FINANCIAL TIMES

Wednesday November 10 1993



VW may bar managers in compromise with Opel

By Christopher Parkes In Frankfurt

SEVERAL top Volkswagen managers may he ordered temporarily to stop work if a compromise, reached yesterday between lawyers representing the German automotive group and rival Adam Opel, is approved by the two companies' boards later this

Prospects of a deal, which could end one of the legal battles between the groups, emerged after private negotiations in the back room of a Frankfurt court. An open court hearing, called to consider an appeal from Opel, the General Motors subsidiary. that seveo former GM group employees should be bauned from working at VW for a year, was adjourned after Mr Heinz Traub, the presiding judge, rec-

ommended that the two sides

An earlier attempt by Opel to

should look for a compromise.

the court decided, the seven had been drawn to VW by the "charisma" of Mr José Ignacio López de Arriortua, a former senior CM executive, who defected to Volkswagen in March.

However, further evidence has since emerged to strengtheo Opel's claim that VW systematically poached key GM group smployees, mainly productioo and purchasing executives.

According to sworn statements Mr López personally approached about 17 people. Volkswagen is still bound by a separate injunction not to continue this Closing yesterday's proceed-

ings. Mr Traub said both compa nies had already been damaged by the affair. Under orders from the tudge to keep strictly silent or risk endan-

would discuss yesterday's

gering the outcome, neither com-

Jorge Manuel Gutierrez, head of VW production and Mr López's closest colleague, may be suspended from their cormal work if the companies' boards approve the compromise before the end of this week - a deadline

set by Mr Traub. Agreement to such a compromise is likely to be seen as acknowledgment by VW that it was at least partly at fault. Rejection will result in a full

open court hearing next month at which Mr López could be called to give evidence. He spent yesterday waiting in an hotel near the court but was not sum-Criminal investigations are

continuing into suspicions that be, Mr Gutierrez and a further two of the seven people involved in yesterday's hearing stole secret GM data before leaving for VW. A probe into possible per-jury by Mr López is also under

EC's van den Broek may quit over dispute with Brittan

By Lionel Barber in Brussels

MR Hans vao deo Broek, the European Community's external political affairs commissioner, has threatened to resign if he fails to secure coocessions in a long-running power struggle with Sir Leon Brittan, the EC's chief trade negotiator.

Sir Leon and Mr van den Broek are at loggerheads over who has management responsibility for the EC's overseas delegations. Mr Van den Broek, a former

Dutch foreign minister, claims he was promised exclusive management rights over the delegations as part of a delicate power-sharing agreement brokered by Mr Jacques Delors, commission president, last December.

A senior aide to Mr van den Brock said last night this agreement risked belog reneged on

British Nuclear Fuels at a cost of

£2.8bn, is expected to produce

about 60 tonnes of plutonium in

ernment review allows it to start.

argued that such an addition to

the already large global stockpile

of plutonium can only increase the risk that weapons-grade

nuclear material might end up in the hands of terrorists or rogue

Congressman Pete Stark, the

California Democrat who has led

US opposition to the start-up of

Thorp, said that Mr Clinton's let-

ter sent "a clear message that the

US does oot want this plant to

Europe today

A frontal zone from Scandinavia to the Gulf of Biscay will cause cool conditions. Large

governments.

begin operation".

Opponents of the plant have

Continued from Page I

considered the matter a point of

principle. Some officials have suggested that Mr van den Broek has sought wider management responsibilities in a bid to expand his bureaucratic empire. "He's looking for soldiers," an official

The matter is set to come to a head today at a full meeting of the commission in Brussels. Sir Leon and Mr van den Broek have been battling over division of responsibilities since they took up their posts 10 months ago. Part of the problem lies in the decision to split the external affairs portfolio previously held by Mr Frans Andriessen, ths long-serving senior Dutch com-

But Commission officials said

Clinton stiffens stance against plutonium

missioner who left Brussels last

his present position which includes the ill-defined responsibility for political relations and the lead role in the enlargement talks with Austria, Sweden, Finland and Norway who have applied to join the European

Union by January 1 1995. By contrast, Sir Leon has revelled in his high-profile position as chief negotiator responsible for participating in the Gatt world trade talks. Under the Treaty of Rome, he enjoys statutory legal powers, a Commission official said.

The ratification of the Maas tricht treaty - which includes provisions for a common European foreign and security policy - appears to prompted Mr van den Broek to demand more powers, specifically co-responsibility for appointing Brussels civil servants in any of the 110 offices

position appears still to be evolv-

ing as it seeks to unravel some of

the entanglements that have

spread of plutonium or highly

enriched uranium, which could potentially be made into bombs

while not imposing such a tight

rein that It hampers other coun-

tries' peaceful nuclear pro-

grammes, possibly even provok-

ing some to drop out of the

Nuclear Non-Proliferation Treaty,

which is due for renewal in 1995.

"We have a lot of sympathy for the US's non-proliferation goals,

hut the US has to prove itself a

reliable partner," one European

official commented.

FT WORLD WEATHER

been created in recent years. a tightrope between curbing the

Mr van den Broek had become progressively disenchanted with

British officials, however, said

Mr Clinton says in his letter

they had received no representa-

tions from the US administration

on all production of fissile

nuclear material because that would breach existing US com-mitments and might lead to con-

Congressional aides said, how-ever, that the US's commitments

were not to Thorp itself but to its

biggest customers, Japan and Switzerland. "We have no exist-

ing commitment to support

Thorp," a congressional staff

Mr Clintoo says non-prolifera-

tion policy is one of his top prior-

about Thorp.

US's allies.

concerns about EC trade data

By Emma Tucker, Economics Staff, in London

THE UK is facing three years of unreliable and incomplete trade figures following problems with the European Community's new

The Central Statistical Office

hased system for measuring trade that was introduced at the beginning of the year to coincide with the single market. The problem has arisen as gov-

the UK meet today to discuss the teething problems of the EC-wide system, which have proved far greater than expected.

tain they will be able to publish. problems connected with seasonally adjusting the figures mean a

Britain's trade with the rest of the world will not be possible for The CSO said yesterday it needed another two days to reassess seasonal and constant

Figures for Britain's world

embarrassing, large revisions.

The switch from a customsbased system of measuring
intra EC trade to one based on
VAT returns has been beset by problems since its introduction in

Last month Eurostat, the EC's statistical office, said publication

produce monthly figures than other member states, although its plan to produce monthly figures hy the end of July proved too

Pressure for today's meeting has come particularly from the UK, which is concerned that the oew msthod of collecting data may be giving an inaccurate view of economic trends.

cerned the unreliability of export and import price figures may have led to an underestimation of the level of ontput in the UK.

UK to raise

system of measuring intra-Community trade.

sald yesterday it was delaying publication of complete visible trade figures for the first eight mooths of this year because a lack of data had made it difficult to seasonally adjust the figures. The delay marks a further set back for Intrastat, the EC's VAT-

ernmeot officials from France, Germany, the Netherlands and

Officials believed the method of collection would be operating smoothly by the middle of this year. But detailed figures are unlikely to be produced before the end of the year and even then, Belgium, the Netherlands, Denmark and Ireland are not cer-Statisticians in the UK say

reliable series of statistics for at least three years.

price adjustments made under the new system now in use throughout the EC"

trade published this year have been stamped with a government warning about their reliability. The CSO wants to make the next set of figures - the last set hefore the Budget on November 30 - as accurate as possible to avold

of up-to-date figures was being hampered by a slow rate of reply hy companies, particularly small

Some economists are con-

THE LEX COLUMN Warburg opens its book

S.G. Warburg found to its cost yesterday. Its decision to break down its source of profits was laudable but the revelation that over half the £197m increase in first-half group operating income came from trading prompted a 2 per cent fall in its shares. The argument is that earnings from trading are by nature unreliable. The more Warburg becomes dependent on them, the lower the quality of its earnings stream. Fear of a similar bad reaction should not deter others who disclose even less. For example, outside investors cannot know for sure what truth underlies Schroders' astonishing share price performance. Living under illu-sion may be comfortable: it is also

Those who wish to carp can find other faults with Warburg. It is reti-cent about the extent to which the contribution from Japan has improved and about the degree to which the one-off contributions from Zeneca and BT3. Its cost base has risen sharply investors must have faith that spending can be pruned easily if revenue turns down again. Mercury Asset Management appears closer to saturation of the UK institutional market, though it is moving forward apace in private client business. Group net return on capital is still only 20 per cent.

Such a low return is hardly satisfactory if this is indeed an earnings peak. Yet to quibble on that score too may be to miss the point. US investment banks boast higher returns but they are also more highly geared. Warburg has surplus capital and could afford to gear up too. But if that produced a still higher return based on increased proprietary trading, the market could scarcely complain about the quality of earnings. Higher return and higher risk go hand in hand. The task for Warburg is to convince it has got the equation right.

US bonds

When the US bond market sneezed last Friday, many of the world's financial markets looked in danger of catching cold. It is thus natural that yesterday's US producer price figures should have a soothing impact further afield than Wall Street. Price rises in energy and building materials were expected. hut in other respects output prices remain reassuringly weak. Especially weak areas such as car prices feed directly into retail prices - albeit in a more diluted form - so the chances of FT-SE Index: 3096.0 (+18.4)

UK Merchant Banks

Share races rebesed

a nasty shock from today's data must

If a sustained retreat in US bonds now looks unlikely, so does another bout of bullishness. The latest batch of figures cast little light on whether the recent spurt of economic activity can be sustained into next year. Job creation holds the key. A recovery led by productivity gains threatens little by way of inflation, but holds the promise of few new jobs. Financial markets will have to wait for the next set of employment figures for further evidence in that regard.

In the meantime, US boods look caught between a lingering fear of inflation around the next corner and hard evidence that it was not burking around the last. The final few weeks of the year could be choppy, and not just in US treasuries.

Great Portland

The 7 per cent rise in tha value of a batch of Great Portland Estate's prop-erties since March provides encouraging confirmation of the property recovery. Having been one of the first nies to reflect the severity of the downturn in 1990, Great Portland is now among the earliest to demonstrate the speed of the upturn. Yet it would be alarming if it were otherwise, given the surge in property. shares over the past year. If anything, the suspicion is that Great Portland's revaluation may well understate the unturn in investment-grade property in central London. The market certainly presumes other companies will soon report double-digit rises in asset

However, Great Portland's reduced

interim dividend and static rental income are a useful reminder that many property balance sheets remain stretched and the underlying market fragile. Investors have not worried much about such niceties while chasing the yield available from property shares and in the direct market itself. But the first signs are emerging that the yield obsession may be beginning to tade. Leading property shares have been groggy since the wobbles in the US bond market hinted that long gilt yields may be close to their floor. When that appears more certain, attention will switch to companies offering better prospects for rental growth. Ironically, it could then be the weaker companies, such as Great Port-land, which boast low rental bases and empty space which find particular

Anglian Water

Yesterday's solid interim figures aside, the stock market has decided Anglian will be among the losers from the forthcoming regulatory revisw. The 12 per cent slide in its shares over the last month is rougher treatment than that meted out to its peers. The low rate of return on new investment suggested by Ofwat last week is especially bad news for Anglian, which has a large capital spending programme.
Its low interest and dividend cover relative to others in the sector leave little room for manoeuvre if faced with tough price limits in the second half of the decade.

i Erik

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The snag with such a firm conclusion is that many elements of the review have been left open by the reg-ulator. Ofwat has said that it will squeeze water companies' profits down to its target 5-6 per cent rate of return on capital over a period of 10 years. But the speed of convergence will be tailored for each company. Anglian might thus expect more leniency than Welsh, which has an embarrassment of riches. Anglian's relatively weak balance sheet certainly demands aofter treatment, although the regulator has given little away about how far it believes each company's financial ratios might be stretched. Without more information on that score, picking winners and losers remains a matter of gut feel. Anglian has charms of its own, such as an unregulated engineering business which should cover its costs this year. After the latest bout of derating, it can also boast the highest yield in

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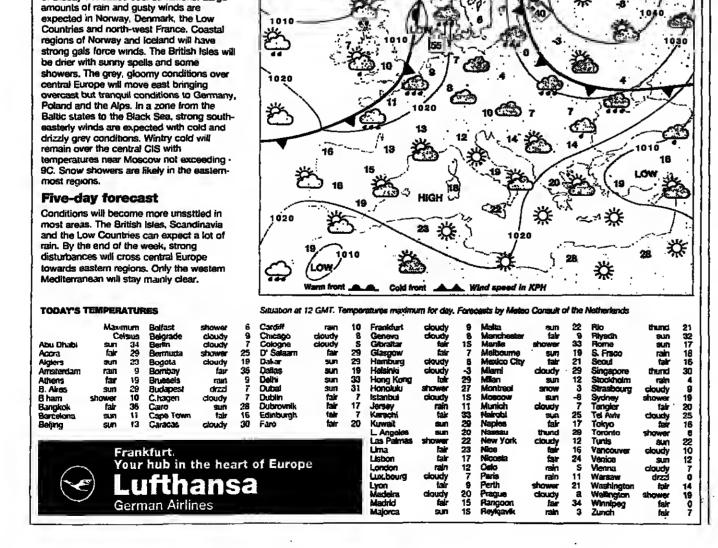


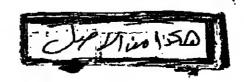
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INSIDE Muramoto warns

its creditors Muramoto, the Japanese construction company which last week filed for court protection with debts of up to Y590bn (\$6.5bn), warned that creditors might recover only a small part of their cash.

Sega posts 4% increase

Sega, the Japanese games company which is chal-lenging world leader Nintendo with its popular Sonic the Hedgehog games, reported a 20 per cent increase in sales to Y200.65bn (\$1.25bn).

Australian SE on the spot

Pity the Australian Stock Exchange. It is due to se a discussion document on the thomy matter of "super" voting shares, an issue which has arisen in the context of News Corporation's desire to create two classes of shares with different vot-ing rights. Many observers think that the exchange is in a bind. Page 20

Italian telecoms' rebirth

Stet and Sip, Italy's two leading telecommunications companies, have interested international investors in recent months. Long-running and expensive modernisation programmes are nearing an end and tariffs are beginning to emerga from the straightjacket of state control. Page 22: Edito-rial Comment, Page 15

Anglian Water flat

Anglian Water, one of the largest of the UK's privatised water companies, reported virtually flat pre-tax profits of £100.5m (\$151.75m) for the six months to September 30 but was confident it might show some improvement on the full year.

Venezuela seeks oil investors



Venezuela has announced a \$45.800 investment programme for its petroleum inclusive, over the end to 10 years that streets a selection in crees in crude oil production capacity and the upgrading of oil refineries. The programme will depend heavily on foreign investment. Page 28

insurance shares shoot up

8ZW Insurance index 160 1993 . .

investors who spotted the potential of European insurance shares last year have seen their holdings appreciate impressively over the past 12 months. Shares in some companies, such as Germany's Aachener & Münchener (AMB), have across the Continent insurance issues have outper-

markets. Back Page Market Statistics

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Companies in this issue

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COMPANIES & MARKETS

AT&T calms EC telecoms fears

Potential partners told competition will be 'low

By Andrew Adonis in London

AMERICAN TELEPHONE & Telegraph, the US telecommunications group seeking to establish itself in Europe, moved to reassure potential EC partners yesterday by downplaying the likelihood of aggressive competition in their home markets before

the end of the decade. Mr John Foster, AT&T's Europe director, stressed that outside the UK, telecoms competition was set to be low key for "years" after the European Commission's 1998 deadline for the liberalisation of internal EC voice telecommunications traffic.

"A lot of people assume that

key' after liberalisation of the European market would be an "extended period" of transition. "It will be a matter of

oped at all fully." He drew a parallel with the position in the US, where MCI, now the second largest long-distance carrier, took nearly two decades to establish Itself as a strong competitor to AT&T.

Mr Foster declined to comment

years before competition is devel-

on current negotiations, but AT&T is known to be in talks with France Telecom and Deutsche Telekom about a possible link-up to create an international network for multinational

The French and German state telecoms companies are believed to have drafted an agreement to merge their European and transatlantic business services, with a view to a possible partnership with AT&T. The two companies already have a joint venture -Eunetcom - to serve the "outsourcing" market among multi-nationals. A stronger Eunetcom, allied to AT&T, would give their international ambitions greater

threat of domestic competition from AT&T after 1998.

Mr Foster said AT&T's priority was to find a suitable European partner for its Worldsource venture in the next few months. Worldsource, launched this May with KDD of Japan and Singapore Telecom, is targeted at the market for one-stop telecoms services among the world's leading 2,500 transnational companies. Its strongest rival is an alliance of British Telecommunications and

A senior Commission official yesterday welcomed the impetus to greater competition given by the EC's liberalisation drive. Mr Herbert Ungerer, an official in the telecoms directorate, said the EC's telecoms companies were "moving from the age of being an elephant - the criticism of being unresponsive to customers - to market participants with an

active market strategy.' The Commission can veto any alliance involving France Telecom and Deutsche Telekom. Some of its advisers are concerned at the threat posed by AT&T, and are keen to see European operators form closer ties. Editorial Comment, Page 15: Starry-eyed investors, Page 22

Nextel plans US digital network

By Louise Kehoe in San Francisco

NEXTEL, a rapidly expanding US mobile data communications ser-vices company, plans to construct an advanced digital communications network in the US that will compete with existing cellular telephone services.

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Under the plans, Nextel is buy ing licences tn operate mobile communications services in several of the largest metropolitan areas in the US from Motorola, the makers of semiconductors and communications systems, in a deal worth around \$1.8hn. Nextel has purchased licences

from Motorola covering the use of more than 2,500 radio frequencies in 21 states. Motorola will receive a 20 per cent stake in Nextel and is providing \$260m in new financing.

These arrangements will result in a total of more than \$500m in financing heing provided hy Motorola, Nextel said. "We view this transaction with Motorola as the capstone of our acquisi-tion campaign," said Mr Morgan O'Brien, chairman of Nextel.

Nextel's goal is to upgrade all of these systems with digital technology developed by Moto-rola, which will provide the company with equipment and techni-cal assistance. For Mntorola, the biggest operator of dispatch services in the US, the sale reflects its previously announced decl-sion to offer technology and equipment rether than provide

Nextel also appounced that It bas reached a technology alliance with Nippon Telegraph and Telephone of Japan. NTT bas also taken an equity stake in Nextel, purchasing 1.5m shares for \$75m. NTT will assist Nextel network.

When fully constructed in 1995. Nextel's networks will be capable of reaching 180m people across the US, the company said. Services will include mobile telephone, dispatch, alpha-numeric paging and data transmission from a single mobile telephone

Already. Nextel has started offering its integrated digital services in southern California. The company said that its services will cover most of the state within the first quarter of 1994. New services will be available in New York and Chicago by mid-1994. Nextel said the services will represent "the wireless portion of an information superhighway".

ABB enters robot venture with Renault

By John Ridding in Paris

ASEA Brown Boveri, the Swedish-Swiss engineering group, yesterday strengthened its position in the market for indus-trial robots, by agreeing to acquire the robotics operations of Renault and form a joint venture in automated vehicle assembly with the French car group. The two companies said the

50-50 venture would employ about 290 people and have annual sales of about \$80m. After the acquisition of Renault's robotic operations, ABB's French robotic operations will have annual sales of about \$60m and employ about

Mr Stello Demark, managing director of ABB Robotics, said

a central element in the company's strategy of shifting from a product supplier to a partner of industrial groups in the design and manufacture of automated systems. He said that the joint venture, which will centre on "body in white" activities where cars are assembled and welded together - would give ABB access to Renault's production line expertise and enable it

carmaker, the biggest market for robotics, and its first direct participation in the assembly stage of the production line

to offer higher value-added products and services. The proposals, which require final approval by Renault employees, would give ABB its first joint venture project with a

Stelio Demark (left) of ABB Robotics said the link would give ABB access to Renault's production line expertise. ABB has already worked on Renault projects including the Clio (top) and Twingo (above) industrial robots had fallen by between 25 and 30 per cent over the past few years, prompting the Renault sale. Renault's robotics operation,

the largest in France, accounts for about 12 per cent of total sales of FFr1.4hn (\$238m) from its automation division. The French that the deals with Renault were Mr Demark said that prices for control of the separate joint ven-

ture for at least two years. robots for every 1,000 manufac-

According to Mr Demark, the market for industrial robots has strong growth potential, in spite of the fall in prices. He said that while in Japan there are 25 turing workers, the ratio is lower in Europe: in France, there are ABB estimates that it has merge.

about 20 per cent of the world market for robots with more than 33,000 currently in operation. Last year, ABB's robot division achieved sales of about \$350m. ABB has worked with Renault on several automation projects, Including the Twingo and Cllo cars. It also supplies Volvo, with

arburg nearly trebles its pre-tax profits

By Norma Cohen,

SG WARBURG Group, the UK-based investment bank, yes-terday reported pre-tax profits for the six months ended September 30 nearly trebled to £148.8m from £51.2m in the year-ago period. Earnings per share rose to 89.9p from 24.7p. The group for the first time

provided a hreakdown of revenues, detailing the very signifi-cant contribution which market-

made. Analysts said the figures. which had not been expected in such detail, were partly responsible for knocking the Warburg's share price down 20p to 857p yes-terday in spite of its report of record six-months earnings. The group also raised its interim divi-

dend to 60 per share from 5.25p. Warhurg said fees and commissions provided revenues of \$302.5m, np 42 per cent on the six months ended September 1992. Of that, "perhaps less than 10 per

Barry Riley

A common theme for

cent" were advisory fees earned on Warburg's two largest international equity offerings; the £5.4bn stake in British Telecom sold on behalf of the UK government and the demerger of pharmaceuticals company Zeneca from 1CI. "Everyone tends to overstate

the profitability of the trophy transactions," said Lord Cairns, Warburg's chief executive, noting the heavy costs associated with the BT and Zeneca offerings. trading revenues were £140.6m.

Marketmaking and proprietary

ment banking.

Group operating costs also rose

significantly during the period. with personnel costs up to £224.5m from £146.1m in 1992. Return on capital for the investment hanking division -exempting Warburg's 75 per cent stake in Mercury Asset Manage-

ment - was 25 per cent pre-tax, Lord Cairns said. Of the £1.25bn in regulatory capital employed by the group. £1.05bn was deployed in invest-

would be devoting greater capital in future to developing its derivatives business, expanding on its recent acquisition of KC-CO, a Chicago-based firm. "We have a significant amount more to do." Geographically, Lord Cairns

said that all regions "contributed to profitability", but declined to elaborate. Lex, Page 16;

London SE, Page 29; MAM expands, Page 27



Global investment strategists are on red alert. Two of the world's higgeat sacurities markets, in US Treasury bonds Japanese

equitties, have hit trouble. The 30-year Treasury long bond yield flipped up from 5.78 per cent on October 15 to 6.21 per cent last Friday, a correction proportionately almost as severe as the 9 per cent tumble in the Nikkei Dow over the past three

The Tokyo stock market generally shows scant correlation with markets elsewhare, so we can probably put the timing of these twin dips down to coincidence. There is a common underlying theme, though, in that both mar-kets have been sustained by low short-term interest rates that may have encouraged investors to lose sight of the underlying

My own view is that the longer term outlook for US Treasuries is still fair, although there may be a turbulent period in the immediate future.

Yesterday dollar bonds were rallying. Japanesa equities, I guess more pessimistically, are embarking on the fourth substantial downwards leg of Tokyo's extended bear market.

From almost 7.5 per cent in January, the Treasury long bond yield has been declining all year - until mid October. The bull market in bonds has been sustained by two main factors, the profitable yield curve play for the banks, funding themselves off a 3 per cent money market rate, and the search for yield by investors. As far as the latter are concerned, it seems that the fall in returns below 6 per cent began to cut off the demand: net sales of mutual funds investing in bonds fell from \$15.4hn to \$11.8bn between July and September. As for the banks, the question

has always been how abruptly the freakishly steep yield curve up to five years will be flattened by a rise in short-term rates: US Treasury bond investors can pick up 150 basis points of yield at 3 years. UK gilt-edged buyers almost nuthing.
Forecasts of the date of the

first tightening by the Federal Reserva have recently varied

Evidence of US economic recovery has encouraged a rush for the exit

between the end of next year and the end of next week. The latest avidence of a strengthening of the US economic recovery has encouraged a rush for the exit. If up to \$300bn of Treasuries must find new huyers the yield adjustment could be quite sharp. Certainly, the first quarter-point rise in US short rates will be regarded as just the first step

of many.

Over in Tokyo we have the mirror image of this problem, the Japan are dire.

appearance of further evidence that the economic problems of Much of the huge expansion of industrial capacity in the 1980s at

a more or less zero cost of capital

has turned out to represent mas-

twin dips in markets siva waste. The underlying, but largely hidden, bankruptcy of much of the property and construction sector - and by exten-sion, much of the floancial system - is gradually emerging into

Myths of the skilful official manipulation of the Tokyo stock the disruptive announcement of a new Nikkei 300 index and the bungling of the JR East privatisa-

The bulls had been relying on potential support from very low bond yields, based upon the ratio between JGB yields and company earnings yields on the convenient assumption that profits will soon start to "normalise". But we are now in the 1990s, and I believe that to draw conclusions from the historical levels of various yield ratios during the "bubble" period of the 1980s is a worthless

exercise. An unfortunately-timed example was the advice from Warburg Securities three weeks ago that the moment had come to move back into Japan. This was based inter alia upon a bond yield-re-lated measure described as the "cross-holdings adjusted earnings yield gap", and on hints of "official" support below 20,000 on the

The common theme in Japan and the US has been the low level of short-term interest rates. But the difference has been in the economic circumstances. So the JGB market has brushed aside the problems of equities in Tokyo, and Wall Street equities have only suffered minor damage from the correction in Treasury

Forget the historical ratios. look at the prospective funda-



Metall Mining Corporation

has acquired certain copper smelting and refining assets from its controlling shareholder

Metallgesellschaft AG

for

C\$171,000,000

payable by the issue of common shares of Metall Mining Corporation

The undersigned advised the Independent Committee of the Board of Directors of Metall Mining Corporation and prepared valuations of the copper smelting and refining assets acquired and the common shares of Metall Mining Corporation sold, and a fairness opinion,



NMROTHSCHILD & SONS LIMITED ROTHSCHILD CANADA LIMITED

September 1993

Muramoto gives warning on repayments to creditors

By William Dawkins in Nagoya

MURAMOTO, the Japanese construction company which last week filed for court protection with debts of up to Y590bn (\$5.5bn), yesterday warned that creditors might recover only a small part of their cash.

Leading bank lenders could get balf of their loans back, if Muramoto, Japan's largest post-war financial collapse, was put into liquidation, said Mr Katsusuke Amano, a lawyer representing the

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Low priority creditors might retrieve less than 1 per cent of their cash in the case of a liquidation, warned Mr Amano. who is helping the group to persuade the courts to agree to a restructure rather than liqui-

A meeting of about 400 suppliers in Nagoya, one of the main towns in the region Muramoto is based, heard that the group owned property and land valued at about Y300hn in its books. Mr Amano warned the market value was lower, due to the fall in asset prices which preceded this recession.

Mr Toyohiro Muramoto. group president, presented a ritual apology to the meeting and hegged for suppliers'

"I could not overcome this situation, hut we still hope to keep the company going," he said. Suppliers were unsympathetic and questioned Muramoto executives for more than two hours in a hotel conference room on payments.

Suppliers would from now on he paid in cash, subject to authorisation hy court officials, said Mr Amano. Employees have been asked to continue work on the group's 535 outstanding contracts. Muramoto has Y10hn of cash in hand, which should enable it to complete 80 per cent of that work, said Mr Amano, Muramoto is awaiting the

decision of a court in Osaka,

the regional capital, on whether it should be restructured and turned into a going concern, or made hankrupt and liquidated. The court's investigators will take three to six months to make up their minds, sald Mr Amano. If allowed to stay in husiness, Muramoto would take 10 to 15 years to recover, he

Muramoto, Japan's 24th largest contractor, filed for protec tion from creditors after banks

withdrew support. Estimates by Telkoku Databank, a leading credit research group, that the group's debts totalled Y590bn were probably too high, said

He calculated group dehts at Y466bn, of which Y290bn was owned by the parent company The final figure would

and Y176m hy subsidiaries. depend on the results of the court investigation and the market value of Muramoto's property, he said.

Lloyd's investment trust plan scrapped due to lack of capital

By Richard Lapper in London

PLANS to launch a Lloyd's scrapped yesterday, indicating that the appetite of institutional investors for new Lloyd's corporate capital schemes may be reaching its limit.

Lazard Brothers. Cazenove and Octavian Group, one of the largest Lloyd's agencies, issued a pathfinder prospectus to raise capital for the Nelson Lloyd's Trust last Thursday. However, yesterday Nelson

announced that "in current market conditions there could not he sufficient assurance that the company would be able to raise the initial target capital of £60m (\$90.6m) on which its investment and underwriting strategies were

Mr Nigel Rogers, of Octavian, said: "Institutions have set aside a certain amount of

a little bit late in the day. Today was the day we set for responses. Some were good hut it was clear we were not going to meet the target figure".
The withdrawal follows some

other setbacks for backers of Lloyd's funds. HCG Lloyd's Investment Trust and CLM Insurance Fund scaled down the amount of capital raised, hecause of difficulties in obtaining sufficient "good quality" capacity on Lloyd's syndicates.

Last week Johnson Fry, the financial services group, abandoned plans to launch a "fund of funds" to attract retail investors after raising only £8m of its £15m target. Even so, over the last two

weeks 10 funds have raised more than £500m from institutional and retail investors. The higgest trust, the London Insurance Market Investment Trust (Limit), sponsored hy James Capel and Samuel Montmoney but there is not a bot- agu, successfully placed tomless pit". Nelson had "come an issue for £280m with

institutions last Wednesday. At least five other investment companies and trusts plan to raise up to £650m in launches over the next few days, One Lloyd's agency, the Hiscox Group, which has launched one investment trust. is so confident about prospects that it yesterday unveiled plans to raise a further £25m for a second trust.

Trading in the shares of Hiscox Select Insurance Fund, a £30m trust launched last month, began this week. The shares closed yesterday at 110p, a premium of 10p.
The new trust, Hiscox Dedi-

cated, will provide capacity only to the four syndicates managed by Hiscox Syndicates, the group's managing agency. It will not seek a full listing for the new trust, although it will seek a facility to trade its shares on a matched bargain hasis under rule 535 (2), Charterhouse Tilney, which sponsors Hiscox Select, will support the new fund.

Costain rights issue take-up disappoints

By Andrew Bolger and Andrew Taylor in London

A £83.9m rights issue hy Costain Group, the troubled UK construction and mining company, was supported hy only 28 per cent of the group's

sharebolders. This left most of the new shares with institutional investors which underwrote the fund-raising.
The 5-for-4 rights issue at

30p per share will cnt Costain's heavy horrowings and underpin its US coal mining business. Costain shares, which

peaked at 366p in 1987, closed unchanged yesterday at 29%p on the London Stock Exchange.

The company said that the take-up was lower than it would have preferred but the nature of the issue meant that it was always likely sub-underwriters would receive more shares. Sir Christopher Benson,

chairman, said: "The sub-underwriters include several large institutions which have reiterated their support as shareholders in the group." Robert Fleming, which had a per cent stake in the group

will see its stake rise to about 17 per cent, making it the largest individual shareboider. Mr Peter Seahrook, fund manager with Robert Fleming, said the ontcome was disappointing hat not surprising. His institution was taking a

long-term view of Costain as a potential recovery stock. There was some criticism about Mr Peter Costain continning as the gronp's chief executive when it announced in September its second rights

issue within two years. An issue in 1991 raised £77m. One institution said last night that the important decision to support the refinancing. and Mr Costain, had been taken when the sub-underwrit-

ing was agreed. The group ran into trouble after investing heavily to expand its househulding and commercial property operations as the UK property hoom was peaking in the late

German stores join merger queue

David Waller reports on the likely marriage of Karstad and Hertie

T is an open secret that the supervisory boards of Karstadt and Hertie, two of Germany's higgest retail groups, are finalising details of a merger of the two companies. The full story is likely to emerge at a press conference on Friday morning in Frank-

A merger would create a new force in German retailing, comhining Essen-based Karstadt. Germany's higgest department store chain with sales of DM20.6hn (\$12.1hn) last year and Frankfurt-based Hertie. the third biggest with sales of

The group will have turn-over of DM28bn and 238 outlets. It will eclipse Kaufhof. Karstadt's Cologne based rival, as Germany's largest department store chain, hut in terms of sales will be smaller than each of Metro, Tengelmann and Rewe, three of Germany's privately-owned retail groups. Both Karstadt and Hertie have the disadvantage of being part of the sluggish depart-

ment stores sector. This segment of the market, which accounted for almost all of the privately-owned Hertie's turnover last year and 65 per cent of Karstadt's, has been in decline for decades as consumers have switched their preferences to specialty retailers and

in consumer spending which is part and parcel of the recession has made matters worse.

Hertie derives 30 per cent of its turnover from just six, well-known stores, including the KaDeWe - Kaufhaus des Westens - in Berlin. But these flagships did not give the group any immunity from the long, slow decline of the dapartment store sector and Hertie spent much of the 1980s battling with losses. The group has been making profits for the last five years but the economic downturn has taken its toll and profits dropped to DM16.7m last year from

DM56.6m in 1991. While analysts credit Kar-stadt with being well managed, its dependence on the department stores segment (which accounts for 65 per cent of revenue) has led some brokers to put the group's shares on their sell list. Earlier this year, it said that profits in 1993 would probably fall from the DM224m. made last year in spite of a

slight increase in turnover. This is in marked contrast to the optimism shown by Kaufhof, Karstadt's arch-rival since both were founded about 125 years ago. Kaufhof is predicting that sales will grow by 10 per cent this year and profits

will rise considerably from last

discount stores. The downturn year's level - reflecting the group's moves away from department stores into the spe-

cialty retailing sector. A fusion of Karstadt/Hertie is unlikely to lead to a sudden spurt in profitably, but it does open horizons for the comhined companies. "The merger will give Karstadt an excellent and rare opportunity for long-term growth in its sector," said Ms Sabine Billmei at Crédit Lyonnais Securities m

The growth is likely to come from rationalisa-tion as the two groups sort out their stores portfolio so that they no longer compete with one another directly on the high street.

In addition, there will be scope for further cost reductions as the combined compa-nies pool their purchasing

This will help Karstadt/Hertie compete more effectively with the Swiss-based Metro empire. This controls Asko Deutsche Kaufhaus and Kaufhof among an extensive porifolio of German retail interests and enjoys the purchasing power which comes with hav-ing worldwide sales of more then DM70bn, the bulk in Ger-

If the depressed background

provides the main catalyst to he underestimated

the merger, the role of Ger. many's big banks abould not Deutsche Bank, Germany's biggest bank, and Company hank, third biggest, our 25 per cent each of Karstaft, These shareholdings date back to the

1930s when they stepped in to rescue the group from near bankruptcy.

Germany's hig banks are keen to reduce their controver. siai holdings in German in

sial nothings in the indus-try and it seems likely that their stakes will drop to in pa-cent each as part of the deal. The most likely structure for the deel, which may value Her-tie at up to DMLSim, will involve the banks selling the bulk of their holdings in Karstadt in return for the shares in Hertie, which is 97.5 per cent owned by a charitable trust. The banks will then sell

on the Hertie shares in return for cash which Karstadt wild probably raise through a mir ture of debt and equity finance.
However the deal is struc-tured, it will have to be approved by Germany's federal cartel authorities. Analysis say they are unlikely to block it

they are unusery to come it hut may force the combined group to sell some stores in Berlin, where it will have a high share of the market

Remy Cointreau sales | Veba declines despite rise 12% to FFr2.6bn

By John Ridding

1992

REMY Cointreau, the French wines and spirits group, yesterday said its sales had risen by 12.2 per cent to FFr2.6hn (\$441m) In the six months ended September.

The group said it had increased sales in all of its four principal divisions and forecast that pre-tax profits for the April-September period would be about 20 per cent higher than the FFr104m achieved in the same period in

The strongest growth during the first half was recorded in champagne sales, which rose hy 26.3 per cent to

The group said its principal

brands, Krug, Charles Heidsieck and Piper Heidsieck, had achieved the increase in sales without lowering prices.

Cognac sales, which include Remy Martin, also enjoyed strong growth. Turnover in the division increased by 22.4 per cent to FFr1.1hn during the period.

However, the group's liqueurs. wines and spirits sales saw much slower growth and increased by just 2.5 per cent to FFr727m. Last year Remy's net profits

fell sharply - hy 25 per cent to FFr202m - on the back of difficulties in the champagne market where producers were severely squaezed bν weak demand and high grape

growth in core area

By David Waller in Frankfurt

VEBA, the German conglomerate, yesterday reported a near 12 per cent decline in pre-tax profits for the first nine months of this year, in spite of growth in the group's core energy activities.

The group said pre-tax profits dropped by 11.6 per cent to DML064bn (\$665m) on turnover up 0.7 per cent to DM49.59bn in the nine months. Net profits after tax dropped by 14 per cent to DM453m from DM527m. Veba saw no improvement in the economic environment in

and no improvement in earn-Earnings from electricity

the last quarter of the year,

grew because of an increase in

sales combined with good capacity utilization at its cals the earnings position con-tinued to be unsatisfactory. with large losses coming in particular from the synthetic materials and rubber divisions

the group said. The losses reflected the costs of restructuring in the chemi-cals sector. Veba said it was cutting 10,000 jobs this year and next, with the bulk of the cuts falling in its chemicals businesses, with the aim of trimming DM1.2bn off its cost

Earnings from trade and ser vices matched the comparable figure for last year while the oil sector posted a sharp decline.

THE WORLD'S LARGEST MARKETPLACE IS 85 TRILLION DOLLARS DEEP.

Of all the world's great marketplaces, the Chicago Mercantile

Exchange is by far the largest. Eighty-five trillion dollars worth of currencies, equities, interest rate instruments and commodities changed hands on its trading floor last year. This year looks like a hundred trillion.

That's more than three times the dollar volume of any other futures

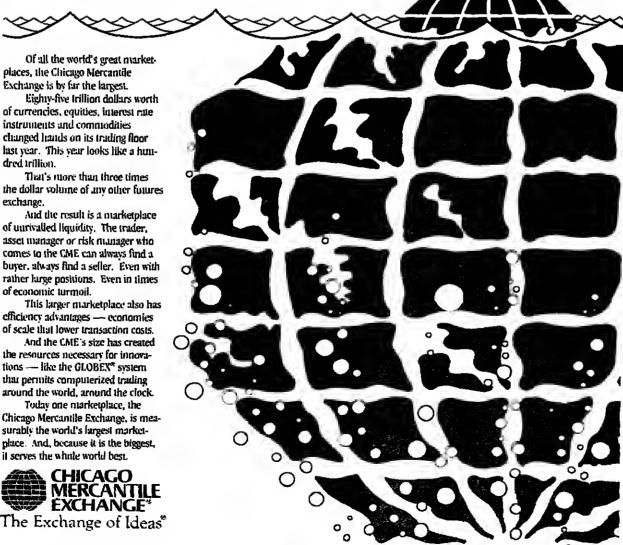
And the result is a marketplace of unrivalled liquidity. The trader, asset manager or risk manager who comes to the CME can always find a buyer, always find a seller. Even with rather large positions. Even in times of economic turmoil.

This larger marketplace also has efficiency advantages - economies of scale that lower transaction costs. And the CME's size has created the resources necessary for innovations -- like the GLOBEX* system

around the world, around the clock. Today one marketplace, the Chicago Mercantile Exchange, is measurably the world's largest marketplace. And, because it is the biggest, it serves the whole world best.



The Exchange of Ideas





CHAMPION TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Announcement of Results For the Year Ended 30th June, 1993

Financial Highlights Profit Attributable to Shareholders

 Earnings per Share - Basic - Fully Diluted

 Recommended Final Dividend Recommended Bonus Issue of Shares

Financial Calender

Closure of Register of Members

 Annual General Meeting Paymnent of Final Dividend

Up 75% HK 27.0 cents - HK 23.2 cents: , HK 6 cents

7th - 14th December, 1993 14th December, 1993

24th December, 1993

HK\$ 140 million

Chairman's Statement Fiscal 1993 has been a remarkable year for your Group. I am pleased to announce that we have confirmed to demonstrate strong financial performance, and have benefited from high growth in demand for telecommunications services in China, and, indeed, worldwide.

We established our original competitive advantage through our advanced design and manufacturing capability, that gave rise to Kantone, the world's first multi-lingual pager; and its associated paging systems. Today, our activities have expanded to include digital cellular and satellite-based services.

During the year, we have forged strategic alliances and joint ventures with a number of established Chinese and international partners. These provide us with access to pioneering technological know-how, admitted product range, and a global distribution network. We are providing, and will continue to provide, advanced. products and services to China and other high growth markets.

Looking forward to 1994, our strengths in developing integrated wireless telecommunications products and services, particularly for emerging markets, will continue to provide us with significant growth opportunities, thus expanding our overall business base and enhancing the Group's value to the sharehold-

I would like to extend my sincere thanks to our employees and management team for their dedication and hard work, and to you, our shareholders, for your continuing support. Together, we will achieve our aim. of becoming a truly global telecommunications company, and, at the same time, of moving towards. A Better Tomorrow.

Paul KAN Man Lok

Chairman

Hong Kong, 9th November, 1993

Corporate Office: 12th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong-





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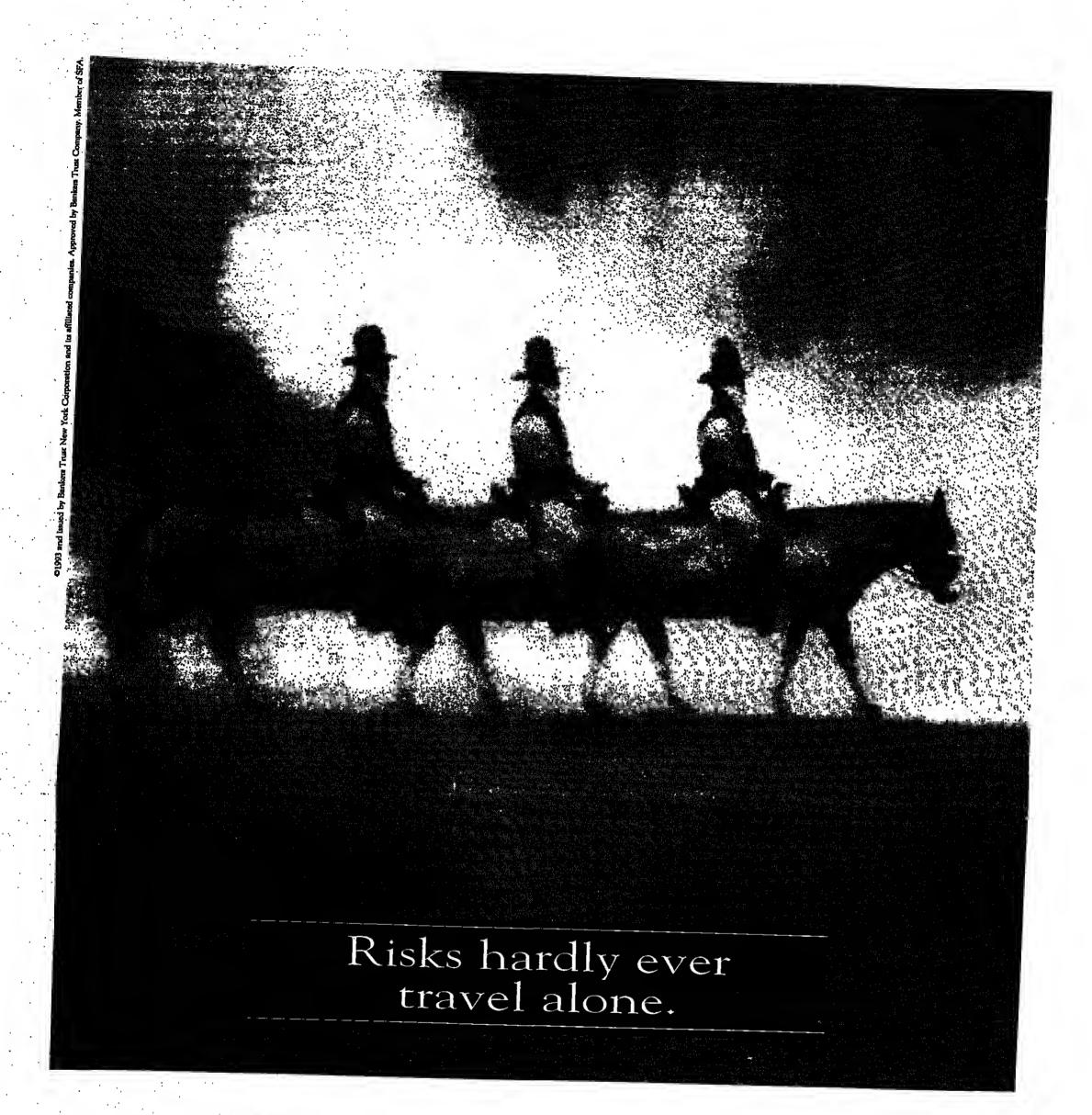
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Risks prowl ceaselessly around every business. Usually, they hunt in packs. Dealing with them piecemeal is ineffective. More often than not, they're linked.

Nowhere is that linkage more intricate than in the airline business. Fuel prices, interest rates, currency swings, load factors, even political pitfalls – each risk has to be examined in light of the others.

To bring an element of stability to an industry that changes minute by minute, Bankers Trust has

found a way of analysing the airline business and attaching a monetary value to many of the operational risks it faces. A risk management plan that can turn volatility into profitability.

With our hands at the reins, you'll see which risk will hurt you and which you'll profit by. So risk will do your bidding, not take you unawares.

Bankers Trust

LEAD FROM STRENGTH

turns in

for year

By Simon Hotberton

CHINA Light & Power, one of

the stocks on the Hong Kong

market most favoured by for-

eign investors, yesterday pro-duced slightly worse than expected full-year results

when it posted a 12 per cent

growth in net profit to HK\$3.5bn (US\$2.2bn) from

in Hong Kong

made

12% rise

Recession

Seiko and

erodes

Citizen

and a high ven.

decline 17 per cent.

has declined.

Y123.78hn.

By Michiyo Nakamoto

Seiko, Japan's leading watch-

maker and a world-renowned

brand, plunged into loss, while

Citizen, its main Japanese

competitor, saw pre-tax profits

Japanese consumers have been discouraged from buying

new watches by the recession.

and corporate buying of gifts

Against this environment

Seiko reported a pre-tax loss of

Y3.21bn (\$2m) in the first half

against a profit of Y1.60hn pre

viously. Turnover for the

watchmaker was 11 per cent

down to Y121.84bn from

Sales at Citizen also came

under pressure but the com-

pany managed a moderate

increase in turnover to

Y124.23bn from a previous

Pre-tax profits, however

were 17 per cent down to Y6.29bn (Y7.58hn).

The outlook remains poor for

drop in full-year

the watchmakers and both

Seiko and Citizen are expecting

Seiko is forecasting a 4 per cent decline in sales to Y258bn

and a pre-tax loss of Y4hn. Citi-

zen, meanwhile, is expecting to

report a 9 per cent decline in

sales to Y230bn and a 41 per

cent drop in pre-tax profits to

Dresdner Bank

Paribas Capital Markets

Goldman, Sachs & Co.

Donaldson, Lufkin & Jenrette

Lazard Frères & Co.

Morgan Stanley & Co.

WESTERN Mining Corporation, the diversified mining group, has revealed that the presentation of its year-end results has fallen foul of the Australian Securities Commission (ASC), the country's stock-market watchdog. The warning came less than 24 hours before its annual

In a statement made jointly with the ASC, the company noted its preliminary firstly with the company's profit results by reference to equity-accounted profit and group consolidated profit hefore abnormals, and subsequently dealt with equity-accounted profit after abnormals.

"After receiving a complaint, the Australian Securities Commission assessed the matter and concluded that undue emphasis has been given in WMC's public announcement to the equity profit before abnormal items of A\$185.9m", it continued. The ASC is now asking WMC to change

the order in which it deals with its profit results, so that consolidated profits after tax and abnormals become the first item in public announcements. Last time, this would have shown a surplus of A\$64m (US\$42.9m), compared with a loss of A\$8.5m in the previous year.

WMC defended the previous prominence given to equity-accounted profit on the grounds that "the significance of the com-pany's Alcoa holding should be identified to shareholders", but said that it would in future meet the ASC's request.

Sega posts 4% increase at halfway as sales climb

By Michiyo Nakamoto

SEOA, the Japanese games company which is challenging JAPANESE watchmakers, world leader Nintendo with its which once seemed set to dom-inate world markets, are being popular Sonic the Hedgehog games, increased sales and profits in the first half of the slowed down as their profits year, but could not escape the effects of recession altoare badly eroded by recession

Sega, which makes amusement hall games as well as video games for home use, in sales to Y200.65hn. from

V167.34hn and a 4.4 per cent

increase in pre-tax profits to The company said it had

seen strong demand for its arcade and home video games, hut it had not been able to avoid entirely the slowdown in consumption, particularly in Japan where the sluggish economy has affected job secu-

The company said that its commercial games machines had seen a slowdown in as husinesses refrained from making new purchases. In the video games market, consumers have

become increasingly selective and competition was fierce. The Japanese market in particular, has seen products being discounted heavily. Sega said that it expects to

increase its market share in market hy introducing Sonic the Hedgehog III, software for its line-up of 16-bit games machines, hand-held video games and CD-ROM players. it is forecasting sales for the full year of Y380hn, up from Y346.94 and pre-tax profits of Y57.5hn against Y55.02 previ-

Fujitsu revises forecast down

By Michiyo Nakamoto

FUJITSU, the Japanese computer and telecommunications group which controls the UK-based ICL, revised its forecast downwards for consolldated results in year to

The company, which had hoped to break even at the net

level, now expects to report a reach Y3.150hn rather than consolidated net loss. Fujitsu said that due to the delayed recovery of the Japanese economy, the rapid appreciation of the yen and the depressed state of the US mainframe market, it was revising its pre-tax forecast down from

Y50bn (\$31m) to Y35bn.

Y3.280bn as forecast in May. The company also expects to report a net loss of Y39bn rather than break-even.

Fujitsu reported a consoli-It managed, nevertheless to report a consolidated net profit

MIM Holdings returns to the black

Sales are now forecast to

Holdings. Brisbane-based metals group, told shareholders yesterday it had moved into the black in October, after reporting an operating loss of A\$6.9m (US\$4.6m), before ahnormal items, in the first quarter of the current year.

Goldman Sachs International Limited

asset sales may he on the

It said all the group's investments had been reviewed and the relevance of some interests to the group's core business ouestioned.

"You will have noted we have disposed of our shareholding in Evan Deakin Industries . . . we sold our small The company also suggested investment in Lynas

PaineWebber International

PaineWebber Incorporated

UBS Limited

S.G.Warburg Securities

Kidder, Peabody & Co.

Merrill Lynch & Co.

Nikko Europe Plc

All of these securities having been sold, this advertisement appears as a matter of record only

15,400,000 Shares

CBL & Associates Properties, Inc.

Common Stock

(par value S.01 per share)

3,080,000 Shares

This portion of the offering was offered outside the United States by the understoned

A.G. Edwards & Sons, Inc.

12,320,000 Shares

This portion of the offering was offered in the United States by the undersigned

A.G. Edwards & Sons, Inc.

Bear, Stearns & Co. Inc. CS First Boston Alex. Brown & Sons Dillon, Read & Co. Inc.

Lehman Brothers

Kemper Securities, Inc.

Oppenheimer & Co., Inc. Prudential Securities Incorporated

lowed by others," said Mr Bruce Vaughan, chairman. Questioned later about the possible sale of coal assets, he said the group was "turning every stone over". "Maybe coal is a hig stone that takes a bit of turning over. It is being looked

other options we are consider-

dated pre-tax loss of Y24bn on sales of Y1.451 for the first half.

In Hong Kong, the company said local sales of commercia and domestic electricity have shown strong growth (8.2 per cent and 12.8 per cent respectively) but that sales to industry had fallen by at in accordance with all the 5 per cent during the

Advance at Mayne **Nickless**

iayne nickless. Melbourne-based transportatico and healthcare group which takes in Parceline, Interlink and Security Express in the UK and has interests in continental Europe, said yeslerday it had seen an improvement in first-quarter profits,

writes Nikki Tait.

Both Interlink and Parceline
had put in "strong performances", shareholders were told at the company's annual meeting. However, Mayne edmitted that, in some markets, prices were under pres-sures and volumes were showing little increase.

Mr Bill Bytheway, managing director, said that the group expected to show an improvement in profits in the coming year - helped hy a resolution to problems with transport divisions in Spain and Italy.

spot by News Corp plan PITY the Australian Stock super share schemes available to all and sundry. Already, one

due to release a discussion document on the thorny matter of "super" voting shares, an issue which has arisen in the context of News Corporation's desire to create two classes of shares with different voting rights. While the paper itself will come to no firm conclusion - merely outlining the options and asking for formal comment - many observers think that the

multiple voting rights - say, 25

Whatever the precise mathe-

matics, the multiple voting

rights would only apply to the

new shares so long as they

were not transfered. In short, Mr Murdoch - who currently

speaks for about 33 per cent of

News Corp'a equity, either directly or through the family company, Cruden Investments

- could enjoy creeping control

over time, as other investors

sold out. He could also raise

money hy selling ordinary shares, without risking signifi-

The problem for the stock

cant dilution.

exchange is in a bind. Profit was struck on a 10 per Since News Corporation's cent rise in turnover to HK\$14.7bn from HK\$13.4bn. A chairman, Mr Rupert Murdoch, first announced the "super share" plan at the company's final dividend of HK cents 42 a share was declared making annual meeting last month there have been no official HK\$1.20 for the year - a rise details of how the scheme of 15.4 per cent. A bonus 1-for-5 scrip issue was also would work. Nevertheless, it seems that existing sharehold Analysts said the market ers would receive the new already held - perhaps one for 10. Each new share would have

had been expecting a rise in earnings of around 14 per cent and that yesterday's results were "a little duller than expected". They said next year's earnings would benefit from property developments currently in the pipe-

China Light said that its sales of electricity to China bave been affected by the austerity measures introduced hy the Chinese government to cool the mainland's economy. Total sales for the year amounted to 25,598m KW 10 per cent on last year's sales - but the rate of increase in sales in the coming year was expected to be

The company said that it has exchange is that, if it endorses taken an important step in the principles involved in this exploring investment opportuscheme, it moves against the nitles on the mainland. It said trend in some other international markets. In London, in it has formed a subsidiary, China Energy Investment, to particular, there has been a pursue these opportunities and steady effort to weed out differis currently negotiating a ential voting structures, with number of power station pro-jects in China, including a hig companies - like Hammerson, the property group - maklong-term co-operation agreeing the switch to a one-vote. ment with the electricity anthorities in Shandong prov-

one-share system. Moreover, the stock exchange would have to make mous result: "My feeling is

corporate lawyer in Sydney says her clients have been tentatively exploring their options

should a green light given to the News Corp plan. But if the ASX turns the scheme down, News Corp could move overseas, delisting from the Australian market in favour of a more tolerant regime. At the annual meeting, Mr Murdoch noted that "sim-

Nikki Tait looks at the dilemma facing the ASX over the thorny problem of super voting shares

ilar arrangements have long been in place in many of the great media companies of the US and Europe". Although he did not mention specific companies at the time, the statement would be true of Dow Jones or Pulitzer Publishing.

News Corp's departure would have a significant impact on the Australian stock market. In terms of market capitalisation, the company accounts for almost 8 per cent of the All-Ordinaries index. Last month, trading in News Corporation shares represented 7.62 per cent of the market's total turnover. Only one company - Broken Hill Proprietary is more important to the market on these measures.

The fund management community - has not made the ASX's position any easier, by indicating its qualms over the News Corp plan. The Austra-lian Investment Managers Group says it has reservations about the principles involved and will now poll members, in order to deliver a formal submission to the ASX. Mr Ian Matheson, executive director of AIMG, expects a fairly unani-

opposition to what is being proposed," he said yesterday, Remarks at the westend by the California Public Employ ees Retirement System (Cal. pers), the large US institu-tional investor, also decrying the principles involved may be more helpful. At least they a suggest that News Corp might

not have a universally favourable reception if it did contemplate a shift to the US. Meanwhile, super voting shares will not be the only matter dealt with in today's discussion paper. The ASX is also expected to look the issue of "targeted shares" - which are designed to reflect the per-

formance of one specific divi-

sion within a company.
In this case, the question arises in the context of New Zealand-based Fletcher Challenge, which is seeking to create a class of shares which would be tied to the performance of its plantation, forestry and log trading busi-nesses in New Zealand and Chile. These, it hopes, would trade on the ASX as well as the NZSE and the New York SR.

n date, "targeted shares" have been a US practice, featuring companies like USX and General Motors. However, even bankers who have promoted their use there, admit that targeted shares tend to be most useful where a full "demerger" of the division in question is not possible. To date, companies which have pursued this road can be counted on the ingeres of one hand.

That said, such schemes do raise questions over the alloca-tion of voting rights - that is, how these should be divided between the different stock classes. However, their contentiousness fades in comparison with that of non-transferable "super voting" shares. There seems little doubt which issue will give the ASK a bigger

Singapore Telecom rises 20%

SINGAPORE Telecom, the recently partially-privatised post and telecommunications utility, has announced pre-tax profits for the six months to September of S\$776.7m (US\$487.4m), a 20 per cent rise over the same period last year, writes Kieran Cooke in Kuala

Lumpur. months was S\$1.53bn, a 14 per cent rise over the equivalent period last year.

ST reported an extraordinary profit in the six-month period of S\$44.2m from the disposal of shares in Singapore Press Holdings, the island republic's largest publishing group. About 11 per cent of ST was

floated on the Singapore stock market at the beginning of November. Initial share transactions put a market valuation of S\$70bn on ST.

SIA takes stake in Cambodian airline

SINGAPORE Airlines is to take a 40 per cent stake in Royal Air Cambodge, a new airline due to be launched in Cambodia in mid-1994, writes Kieran Cooke.

Other shareholders in the new airline will he the govern**NEWS IN BRIEF**

ment of Cambodia and a group of Cambodian investors, SIA did not disclose the value of its investment in the new airline.

SIA says it will provide day-to-day management of ST said turnover in the six Royal Air Cambodge (RAC) and provide the new airline with pilots and technical specialists. SIA will also appoint one of its personnel as RAC's

managing director. The existing national carrier in Cambodia, Kampuchea Airlines, is likely to be merged with RAC and provide services. on both international and domestic routes.

Aiwa doubles pre-tax profits

AIWA, a medium-sized Japa-nese audio-visual maker, has outperformed some of the

giants in the electronics industry, writes Michiyo Nakamoto. The Sony subsidiary has reported a doubling of pre-tax profits on sales which were up by 6 per cent in the first half of the fiscal year despite the stagnant market for audio-visual

products in Japan and the

adverse impact of a high yen. Sales were up 6 per cent to Y81.73bn (\$757m) while pre-tax profits were more than double at Y2.3bn from Y1.15bn a year

The company's mini mini component stereos were a major contributor to its improved profits. In the US, overall sales were up by 60 per cent on a yen basis despite a 12 per cent increase in the yen's value, largely on the strength of the mini mini component

Kanebo hit by singgish sales

KANEBO, the Japanese synthetic fibre and cosmetics manufacturer, was hurt by singgish sales of its food and fashion goods due to the cool summer and poor textile sales, writes

Emiko Terazono. The company posted a 924 per cent fall in unconsolidated pre-tax profits to Y219m (\$2m) for the first six months to September. Sales fell 16.2 per cent to Y219.9bn, while after-tax profits declined 97.4 per cent to

The company will lorego dividend payments for the first

All of these securities having been sold, this advertisement appears as a matter or record only

November 1993

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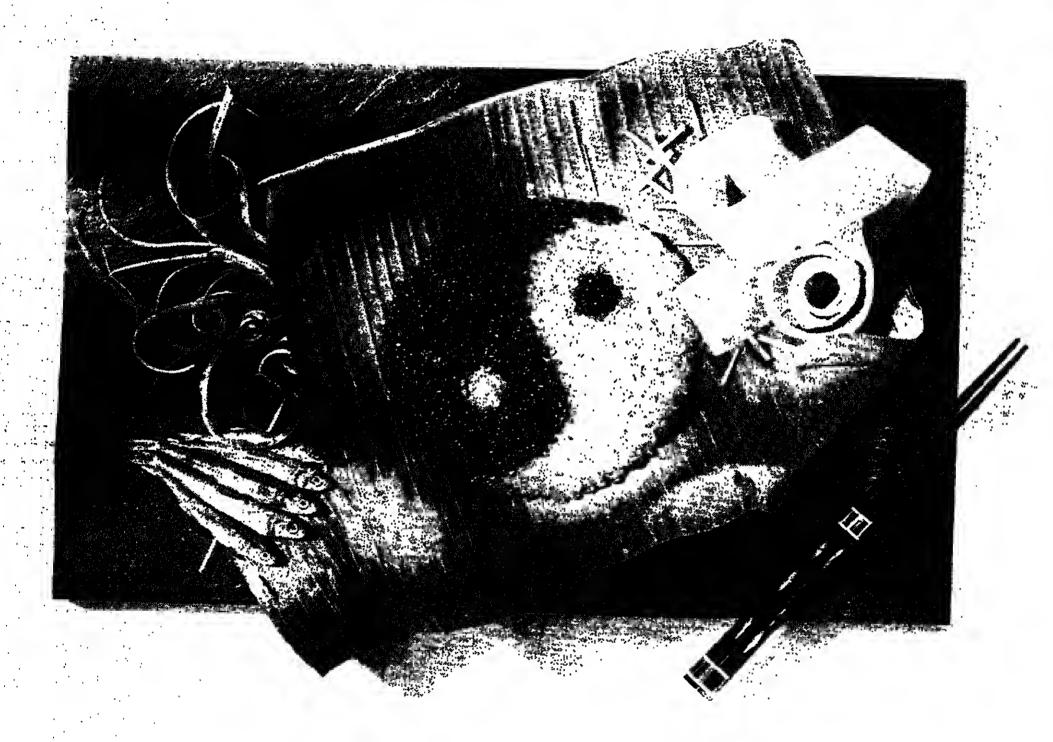
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It's a well-known fact: soma Asian countries are among the world's leading aconomies.

The success of the Confucian philosophy in the computer age.

Looking closer at the causes, one of the first things that springs to mind are the teachings of Confucius, dating from over 2,500

years ago - a school of thought which laid the groundwork for an unusually favorable aconomic environment.

Tha foundation for success has baen built on an uncompromising recognition of competenca, the importance of gatting a good education, and espacially the individual's profound feeling of being at one with both society and his employer.

It goes without saying that such strengths, which have evolved generations, also involve duties. For in order to sustain the climate of harmony, aach individual is expacted to comply with various, and at times subtle, rules of behavior.

To take an example: those muchbeloved and protracted business dinners are not designed primarily as a medium for business negotiations.

But by fostering:a state of harmony and creating the correct atmosphere, thay do help one successfully conduct business.

If in the course of nagotiations you are confronted with a situation whera you could in some way cause your counterpart to "lose

face," you should refrain from persisting even if you are clearly in the right. You can expect this demonstration of good will to be met with grateful recognition, even if none of those present openly show it.

By behaving in this way, you will have by no means lost influence. On the contrary, you will have shown that you have taken to heart the most important rule of conduct: in a dignified manner, always permit your counterpart to save face. And by doing so, you will also further your own interests.

Business in Asia requires patience and time. But once accepted, you'll always be accepted.

Dresdner Bank has been an active and raspected member of the Asian business

scene for many years now, with nearly five hundred committed professionals - both western and eastern - serving customers with their experience and expertise.

Our customers know they can rely on us to help bring their interests into harmony with the various Asian markets, each with its own particular local business customs.

Striving for harmony as a formula for competitive

success.

And yet, every day even we still learn something new.

That is how it should be. For, in the words of a Chinese provarb, continually striving to secure longterm success is more important than "quickly plucking a feather from a passing goose."

Dresdner Bank

<u>/ PM</u>
O

Greek building group seeks to raise Dr5.9bn

By Kerin Hope

AKTOR, Greece's largest construction company, plans to raise Dr5.9bn (\$24.5m) in fresh equity through a flotation on the Athens stock exchange.

The company is to increase its capital base by 25 per cent, the minimum requirement for a listing on the Greek bourse. It will issue 1.69m new shares

The shares, with a nominal value of Dr250 each, will be offered st Dr3,525. About half the issue is to be placed abroad by James Capel, the UK

The listing is being underwritten by Midland Bank and Société Generale, with two private Greek banks, Credit Bank and Piraeus Bank.

Aktor is controlled by the Bobolas family, which also owns an Athens daily newspaper and holds a stake in Megachannel, Greece's biggest orivate television station.

The company said 60 per cent of funds raised through the listing would be used for working capital, while the ramainder would cover purchases of new machinery. Aktor is one of s dozen local construction companies competing for large public works contracts in Greece, estimated to be worth Dr1,200bn over the next five

More than 70 per cent of funding for the projects will

come from the European Community under the Delors II aid package for infrastructure improvements in poorar member countries. The rest, meanwhile, will be provided from the Greek state investment budget.

Aktor is participating in several big projects being co-financed by the EC, including construction of a 500km pipeline to carry Russian natural gas from the Bulgarian border to Athens.

The company forecasts pre-tax profits for 1993 of Dr2.4bn, up from Dr1.01bn last

Turnover is expected to reach Driobn, compared with Dr5.1bn last year. Thrae othar

construction companies are being floated on the Athens stock exchange. Last week, shares in Aagek, seeking to raise Dr1.6bn, ware oversubscribed more than 100

Greece's construction sector is dominsted by private family controlled companies which finance most of their operations from private funds to avoid high interest rates, now at around 24 per cent for working capital.

However, the need to ensure a steady cash flow and invest in new equipment in order to win EC-financed projects is expected to encourage other construction companies to join

Starry-eyed investors await Italy's telecoms rebirth

Haig Simonian examines speculative interest in the reorganisation of the state-controlled Stet and Sip



and Stp, Italy's two leading telecommunications companies. have gyrated this week as investors grappled with the dilemma of matching glowing economic

cal uncertainty. Though majority stateowned, the two stocks count among Italy's leading blue chips. Their prices closely reflect general investor confidence in Italy as much as the companies' own financial expectations.

prospects with domestic politi-

However, both groups have moved into focus in recent months. Telecoms stocks are in vogue among international investors. The Italian companies are particularly attractive, because long-running and expensive modernisation programmes are nearing an end, and tariffs are beginning to emerge from the straight-jacket of state control.

new speculative lustre to the shares. Last month, Lehman issued a bullish investment report on the stock entitled "A Star is (Re)Born". Such enthusiasm is still running ahead of reality. After years of dithering, disorganisa-tion, inter-company rivalries

Privatisation has added a

Italy's telecoms sector is set for long overdue rationalisation. No other big European country has such a complex patchwork in the telecommunica tions field. Stet, the overall holding company, presides over a collection of separate mies, some quoted, with activities covering domestic

telephones services (Sip), inter-

and plain mismanagement,

Shares in Stet continental traffic (Italcable), equipment manufacturing (Italtel) and network services (Sirti). Separately, ASST, con-trolled directly by the ministry of posts and telecommunica tions until last year, and now renamed fritel, handles domestic trunk calls and some international traffic.

Each has is own, sometimes overlapping, responsibilities, board of directors, buildings and even chauffeurs, adding significantly to costs and confusion.

The reasons for the profusion are political, based on the need to share out jobs between coalition parties, all craving for their allocation of top statesector patronage.

That is about to change Under a new project, approved in principle by the government earlier this year, the separate layers will be rationalised to create one company, expected to be called Telecom Italia.

he new entity, whose precisa structura remains vague, should group all the telephone ser-Italcable, Iritel and Telespazio. The first step is due early next year, when Stp and Italcable are planned to merge.

.While attractive in principle, details of Telecom Italia have yet to be fleshed out. Still to be cided are the fates of Sip's highly profitable cellular telephone business, and the outlook for the Italiel equipment manufacturing side.

Italy now has Europe's thirdbiggest cellular network, with about 1.1m subscribers. So far, Sip has a monopoly, although several private groups are jostling to win the long-awaited mandate to set up a second

ITALCABLE telephone utility

vague suggestions by the government that Sip's cellular business would be spun off sep-Italtel's future is also in the balance. Although not expected to form part of Telecom

network. When that will come

about remains uncertain, as do

Italia, which will concentrate on services, Italtel is an important element in the Stet Executives from Stet and Italtel, which is 20 per centowned by AT&T of the US; have for months been talking with other leading telecommunications equipment makers to broaden italtel's ownership

structure. The outcome of the

negotiations, designed to

broaden the company's access

to international contracts, remains unresolved. While the broad future of Italy's telecoms sector has been defined, many gaps remain to be filled. The govern-ment and the Iri state holding company, which controls Stet.

have indicated they are prepared to float a majority of the

TBLESPAZIO

The STET Groups

Observers remain confused future Telecom Italia, will be the privatisation vehicle, although the latter seems more. likely. The government is also undecided about the precise structure of the future telecoms business.

Its continued indecision has heen reflected in its failure to appoint merchant banking advisers for the sell-off.

The delay lies in underlying political differences about privatisation, which have not yet been resolved. Some minis are pressing for a UK-style public flotation. Meanwhile others, led by Mr Paolo Savona, the industry minister, want to create a "hard core" shareholding group, in which leading Italian technology companies, such as Olivetti and Pirelli, would form a promi-

nent part. independence in purchasing Mr Savona's argument is and aquipment decisions,

claim that only by linking industrialised companies. closely with the telecoms sec-tor will it be possible to guar-

engineering

forefront of that sector. Though apparently protectionist in scope, tha aim is more to keep Italian companies abreast of the latest developments in the increasingly overlapping telecoms and information technology businesses

ritics, however, say any attempt to create a privileged position for domestic companies will damage telecoms privatisation. Investors will be put off by the idea of e domestic "hard cere", which will reduce liquidity of the privatised stock. And creating a close link between the privatised telecoms com-

pany and the biggest domestic

suppliers could compromise

return, per annum, of 38.5 per cent, compared with 23.3 per

TENDER INVITATION

The State Property Agency Invites tenders for

sales of state-owned shares of the

Computer-Technique and Administration Organizing Co. Ltd. (Szamitastechnikai es Ugyvitelszervezo Valialkozas Rt.) established from the former

Computer-Technique and Administration Organizing Co. Ltd.

than to exclude outsiders.

The appointment of advisers on privatising Italian telecom munications will have to await government decision on just antee their future role at the how the sector should be restructured.

ity, it is argued.

equipment manufacturing

With domestic politics in a particularly volatile state, the decision may be handed over from the present government of prime minister Carlo Azeglio Clampi to a successor formed after the next elections, widely expected early next year.

affecting long-term profitabil-

Destantio inter ony inti short-tango Patenations

Whoever decides will also have to rula on the thorny issue, still being debated behind-the-scenes, un what role should be reserved for Italian companies in the shareholding structure of any privatised telecoms concern.
This is the concluding piece in a

series on the privatisation of Europe's state telecommunicate tions operators. The other articles appeared on October 11, 28, 28 & November 4.

Asahi Beer International Holding (Australia) Ltd.

Notice of a Meeting of the holders of the outstanding Japanese Yen 65,000,000,000 7.3 per cent. Guaranteed Bonds due 1996 unconditionally and irrevocably guaranteed by Asahi Breweries, Ltd.

Asahu Breweries, Ltd.

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bondholders") convened by Asahi Beer International Holding (Australia) Ltd. (the "Bondholders") convened by Asahi Beer International Holding (Australia) Ltd. (the "Issuer") and Asahi Breweries, Utd. the "Guaranton") will be held at the offices of Sakura Trust International Limited at Ground and First Floor, 6 Broadgate, London FC2M 2RQ on 2nd December, 1993 at 11.00 a.m. [London time] for the purpose of considering and, if though fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement (the "Fiscal Agency Agreement and Limited (Bornerly Missul Taiyo Kobe Trust International Limited) as Fiscal Agent and the other Paying Agents named therein. BYTRAORIONARY RESOLUTION

"That this Meeting of the holders of the outstanding Japanese Ven 65,000,000,000 7.3 per cent. Guaranteed Bonds due 1996 the "Bonds" of Asahi Beer International Holding (Australia) Ltd. (the "Issuer") Issued subject to and with the benefit of the Fiscal Agency Agreement ased 27th February, 1991 (the "Fiscal Agency Agreement") between the Issuer, Asahi Breweries, Ltd. [the "Guaranton"), Sakura Trust International Limited (formerly Missul Taiyo Kobe Trust International Limited) as Fiscal Agent and the other Paying Agents named therein HERERY RESOLVES THATS—

[11] with effect from 22nd December, 1993 (the "Effective Date"), the serms and

(1) with effect from 22nd December, 1993 the "Effective Date"), the serms and conditions of the Bonds as privated on the reverse of them and in Schedule 1 to the Fiscal Agency Agreement be modified by the substitution of Condition 2(8) by the following:-"Status. The Bonds, as regards payments of principal, constitute insecured obligations of the Guarantor and shall at all times rank part passu and without any preservice among premiserves. The bonds, as regards payments of interest, and the Coupons constitute insectated obligations of the Issuer and shall at all three rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds and Coupons and of the Guarantor under the Bonds and the Guarantees shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.":

(2) the assumption by the Guarantor on the Effective Date of full flability as the principal (2) the assumption by the Guarantor on the Effective Date of full flability as the principal debtor in respect of the payment of principal in respect of the Bonds, including liability in respect of any payments of principal to have been made prior to the Effective Date, and in respect of all obligations under the terms and conditions of the Bonds and the Floral Agency Agreement as fully as if the Guarantor had been named therein as the sole principal debtor in place of the Issuer in respect of the payment of principal in respect of the Bonds, is hereby authorised and confirmed; and (3) every abrogation, modification, variation, compromise or arrangement in respect of the rights of the Bonds against the Issuer or the Guarantor involved in or resulting from the rems of paragraphs (11 and (2) of this resolution be sanctioned").

Meeting and for any adjourned Meeting which is set out in paragraph 4 of "Voting and

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement, a draft Supplemental Agreement to amend the Fiscal Agency Agreement, a draft Deed Poll to be executed by the Guarantor and draft legal optinions of each of Baker & McKendie, Asalvi Law Offices and Linkbaters & Paines

may be inspected at and voting conficates may be obtained from, the specified office of any of the Paying Agents given below.

VOTING AND QUORUM A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bondist, or a valid voting certificate or certificates issued by a Paying Agent relating to the Bondist, in respect of which he wishes to vote.

2. A holder of Bonds not wishing to attend and vote at the Meeting in person may either deliver his Bondta or voting certificate(s) to tothe person whom he wishes to attend on his behalf or give a voting instruction form obtainable from the specified office of any of the Paying Agents gives below instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions. Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Cedel S.A. or the Operator of the Euroclean Agend held to its order or under its control by Cedel S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates or appointing provies, not later than 48 hours before the time appointed for holding the Meeting for, if applicable, any adjournment of such Meetingl, giving voting instructions in respect of the Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time tixed for the Meeting (or, if applicable, any such adjournment) the surrender of the receiptist issued in respect of the relevant Bonds.

surrender of the receiptist issued in respect of the relevant Bonds.

4. The quorum required at the Meeting is two or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than three-quarters in principal amount of the Bonds for the time being outstanding las defined in the Fiscal Agoncy Agreement). If within 15 minutes from the time fixed for the Aceting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days as may be decided by the Chairman of the Aceting, At such adjourned Meeting the quorum shall be two or more persons present holding Bonds or voting Certificates or being proxies and holding or representing in the aggregate not less than one-quarter in principal amount of the Bonds for the time being outstanding.

outstanding.

5. Every question submitted to the Meeting will be decided by a show of hands unless a poll is duly dismanded by the Chairman of the Meeting or the Issuer or the Guarantor or by one or more persons holding one or more Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Bond so produced or represented by the voting certificate so produced or in respect of which he is a proxy. In the case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Bondholder or as a holder of a voting certificate or as a groxy.

To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes east. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting, and upon all

Fiscal and Paying Agent
Tour International Limited Ground and First Floor 6 Broadgase lon ECZM 2RQ

Paying Agests

nkers Trust Ussembo 4 Boulevard F.D. Ro L-2450 Luxembo

Swiss Bank Corporation I Agschenvorstad CH-4002 Basic olding (Australia) Ltd. Asabi Breveries, Ltd.

10th November, 1993

Kajima writes off Y50bn

By Robert Thomson in Tokyo

KAJIMA, the Japanese general contractor, will write off losses of Y50bn (\$462.7m) arising from the liquidation of a whollyowned subsidiary active in developing Australian proper-

The decision by Kajima reflects a trend among Japanese construction companies, which acquired large property portfolios in the US, UK and Australia in an aggressive expansion during the 1980s.

However the companies

The group's net profit fore-

AVIVA

US\$ 25,000,000

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including Shimizu and Kumagai Gumi, found overseas mar-kets far tougher than they had imagined, and the burden of carrying loss-making properties has increased as profits from the domestic market have slipped over the past two

cast for the year to March was revised down from Y8bn to Ylbn, and the forecast for parent net profit was cut from

Genbel to expand securities trading arm

By Philip Gawith

GENBEL, formerly the investment arm of Gencor, South Africa's second-largest mining house, has announced a two-pronged reorganisation. It plans to restructure its core investments and expand its securities trading operations.

Genbel's repositioning cen tres around strengthening Unisen, the investment trading arm. It wants to give the group

viously, when it functioned mainly as a long-term investment holding company with a strong commodities focus.

The restructuring flows from the recent unbundling of Gencor, the company which helped establish Genbal to help finance Gencor projects. Although Genbel will retain close ties with its main shareholders - Sankorp and Rembrandt will, as concert parties, hold 35 per cent of Genbel -

a more dynamic role than pre- unbundling has given it the cent for the Johannesburg opportunity to chart a new course less closely tied to the Index. fortunes of the Gencor group. Mr Anton Botha, managing director, said the spur for the

group's transformation to a "dynamic portfolio holder and over time. securities investment trader had been its success, through. Unisen, in the trading markets. Over the last five years, Unisen has achieved an average total

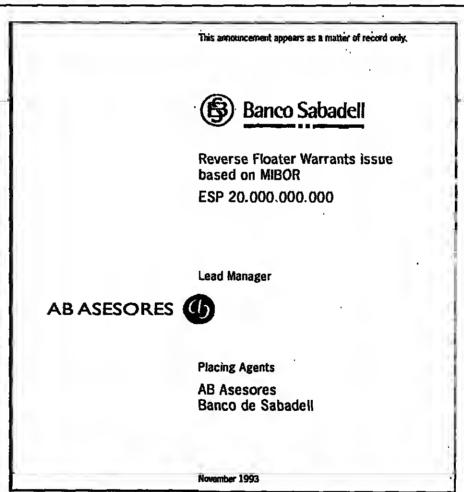
stock exchange's All Share

The aim is to significantly enlarge Unisen's trading portfolio, with the object of materially outperforming the index

Unisen has had assets of about R200m (\$59.5m) over the last three years. However Genbel's recent restructuring and the transfer of gold shares into Unisen has boosted its net assets to about R1bn.

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of the KBH (Central Office of Statistics)

within the frame of a single-turn public competition. We inform the inquirers that the registered capital of the Computer-Technique and Administration Organizing Co. Ltd. Is 1,105.153 thFt, of which 50.1% will be sold.

For purchasing of the share packages E-Credit is available. At least 10% of the registered capital has to be paid by compensation tickets, however, the privatization expenses may be paid in cash

The tenders are requested in 3 copies, to be sent in closed envelopes, without indicating the sender, with indication of the

original copy, to the address given below: Tenderers should undertake attaining their Bids for 90 days. Deadline for reception of the Bids: 10 January, 1994, 16.00 pm.

Place of presentation of the Bids: State Property Agency, Registry Office,

1133 Budapest, Pozsonyi ut 56.

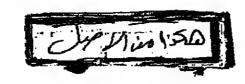
The State Property Agency reserves the rights to declare the tender unsuccessful.

A criterion of presentation of the Tenders is the buying of the detailed tender documents containing also the tender specifications, for 2500.- Ft at the address of the State Property Agency, against a secret keeping declaration.

Further information is available from Gabriella Laufer, Industrial Privatization Directorate III, Phone: 269-8600/13-80 extension.







Internationale

Nederlanden

August 1993

Bank

Double-digit rise for Wal-Mart in third quarter

WAL-MART, the world's biggest retailer, grew even larger in the third quarter, as its expansion strategy paid off in a double-digit increases in sales and profits.

Tha Arkansas-based discount store operator posted net income of \$518.7m in the three months to the end of October, an 18 per cent improvement on profits of \$437.8m in the corresponding period of 1992. Earnings were 23 cents a

share, compared with 19 cents. when adjusted to reflect a twofor one stock split in February. Wal-Mart'a sales performance was even more impressive. Revenues climbed 23 per cent to \$16.8bn in the quarter,

compared with \$13.6bn a year Same-store sales - an important measure of retailing strength - showed an 8 per cent improvement, against 5

per cent through August. Wal-Mart continued to push into new markets, as part of a strategy that enables the company to offer "everyday" low prices by maximising its buy-

In the third quarter, the company opened 56 new Wal-Mart stores (and closed two), expan-ded 11 others and opened 16 more Sam's Clubs, which offer

By Frank McGurty in New York deep discounts to members. The net addition of retail floor space was 10.9m sq ft. The company now operates a total of 1,989 Wal-Mart outlets

and \$26 Sam'a Chibs. In addition, Wal-Mart is preparing to integrate 91 Pace warehouse clubs which last week it agreed to acquire from Kmart, the second biggest US retailer. The move, part of conactidation in the segment, serves to cement Wal-Mart's

The results, which were in line with Wall Street's expectations, helped lift the share price by \$% to \$29 in early trad-

• The Limited, the US specialty-store operator, showed signs of recovery in the third quarter, following a poor performance in the first half.

Net income rose 2.8 per cent to \$82.2m, on sales of \$1.61bn, a 0.3 per cent uptick on the corponding three months of 1992. Earnings per share were 23 cents, against 22 cents a year earlier.

The company said several of women's clothing husinesses continued to show weakness, but strong performances by Victoria's Secret, Express, Structure and other chains helped lift revenues. Overall, The Limited reported a 1 per cent gain in same-store sales.

Wall Street bankers keep a wary eye on the Fed

Patrick Harverson analyses an unprecedented period of profitability for the US securities industry

INTER is approaching and New Yorkers, already worried about high levels of crime and unemployment, are just recovering from a dispiriting May-

oral election race. Yet, on Wall Street, the city's investment bankers and stock brokers are still striding out to work every day with a spring in their step.

They have every reason to be

confident. Results released in recent weeks showed that in the third quarter, US brokerage houses and investment banks maintained the recordbreaking pace of profits growth they have set over the past two and a half years.

Every big publicly-quoted securities firm reported growth in third-quarter earnings. On average, earnings rose by 63 per cent between July and September, well ahead of the aver-age 24 per cent increase achieved by US corporations

As in the previous 10 quarters. Wall Street's profits were fuelled chiefly by three factors Low short-term interest rates, which sustained high stock and bond prices and allowed firms to borrow cheaply and invest the money in higher-yielding assets, thus boosting net interest income

and trading profits; Heavy corporate demand for securities underwriting serbanking revenues buoyant;

 Strong interest among indi-vidual and institutional investors in the stock and bond markets, which translated into high brokerage commission revenues and asset manage-

was also apparent in the latest earnings data - the rising contribution from firms' mergers and acquisitions business. Over the past year the once

dormant domestic M&A market has enjoyed a resurgence and Wall Street firms have earned huge fees advising companies involved in billion-dollar transactions in the telecommunications, media, healthcare and banking industries. The result has haen an

imprecedented period of profitability for the securities industry. Yet, while it is well into its third year of record earnings, Wall Street is aware the good times cannot last for ever The performance of the securities industry has always been tied closely to the fortunes of

financial markets and the level of interest rates. When rates are low and markets strong, Wall Street prospers. When rates start rising, however, markets can stumble. and the industry's earnings

can shrink quickly. The downturn in this cycle often hits Wall Street espe-cially hard, because in the good times the industry has a tendency to lose control of its costs by paying its employees

US SECURITIES FIRMS EARNINGS(Sm)								
	3rd qtr 1993							
Alex Brown	15.228	11.126	+ 37					
Bear Stearns	104.303	62.956	+ 66					
Edwards (AG)	35.606	26.915	+ 32					
Legg Mason	11.360	6.844	+ 65					
Merrill Lynch & Co	359.687	228.689	+ 57					
Morgan Stanley*	224,248	119.013	+ 88					
PaineWebber Group	59.123	S1.672	+ 14					
Quick & Reilly	9.947	5.211	+ 91					
Raymond (James) Fin'i	14.562	10.197	+ 43					
Salomon Inc	20.000	6.000	+233					
Schwab (Charles)	22.200	7.800	+185					
Total	876,264	536,423	+ 63					

too generously and by hiring too many extra staff.

Morgan Stanley reported income for its facal second outsider (Mary-MAY)

This is what happened at the tail end of the 1980s, a period which culminated in the industry-wide losses of 1990.

oday, however, Wall Street is in better shape to cope with any down-turn in the industry's business cycle. For a start, firms have generally kept a tight rein on

Although amplovee compensation (the largest component of industry costs) has risen with profitability, management has adopted a more rigorous approach to pay policy.

Bonuses are now more closely related to performance. and firms have been awarding a larger part of employee bonuses in the form of stock. As a result, compensation takes up less of firms' net revenues. At the end of June, compensation expenses accounted for 50.1 per cent of net revenues at New York Stock Exchange member firms.

By comparison, at height of the last profits boom in 1987. compensation expenses took up some 56.5 per cent of net

As Mr Michael Flanagan, securities industry analyst at Lipper Analytical in New York, explains: "The industry has taken great steps in controlling costs. Its cost structure this time around is in a much better shape than in the past.

like shareholders, and manage-ment has been very careful in adding staff during this cycle. The result has been a signifi-cant improvement in productivity and profitability," he Keeping a lid on staffing lev-

"Employees are paid more

els has heen particularly important. At the end of June, 228,600 people were employed by NYSE member firms, only 9.4 per cent more than were employed when the industry's employment cycle last hit bottom, in early 1991. Mr Flanagan says: "Tha

underlying thame to employment policy has been to let revenues develop before increasing staff and overheads accordingly. In the past, staffing and overhead expenses led

Yet, while cost management may have improved, Wall Street remains hostage to market-related cycles. This is in spite of the progress firms have made in developing businesses which provide a steady stream of cycle-proof revenues. Over the past five years, Wall Street has built up its in the hope that the recurring revenues they generated would smooth out the bumps in the industry's always volatile earn-

The contribution of asset management revenues to the industry's bottom line, however, remains dwarfed by revenues from investment banking, proprietary trading and broker-

Industry leader Merrill Lynch, for example, has made some of the biggest strides in asset management, yet earnings from the business still account for only 9 per cent of

per cent five years ago). By contrast, proprietary trading profits account for 29 per cent of total revenues (up from 22 per cent in 1988), com missions for 26 per cent (up from 23 per cent), and invest

(unchanged from 1988). The picture is much the houses. And, those firms which have mostly ignored asset management or other repeat revenue businesses, like Salomon Brothers and Morgan Stanley, remain particularly vulnerable to market-related

itness Salomon's \$173m loss on propri-etary trading in this year's third quarter, a loss which dragged group profits ous quarter to just \$20m.

With the US economy recently showing signs of Wall Street is that the Federal Reserve will raise interest rates next year to restrain

Higher interest rates would quickly translate into lower trading and net income reve nnes, and weaker financial markets, which would result in lower investment banking and commission revenues. If that happened, there would be little

Rio Algom declines 28%

By Robert Gibbens

RIO ALGOM, the Canadian

uranium, copper, coal and metals distribution group, was hit-by lower copper prices in the

Nat profit was C\$11.6m (US\$6m), or 25 cents a share, after a C\$9.4m loss on the sale of its potash mining operation and a C\$15m gain on the sale of portfolio investments.

The latest figure was down

Revenues were C\$237m, up 3

Nine-month profit was C\$22.7m, or 48 cents, down 22 per cent from C\$29.2m, or 68 up 7 per cent.

. The international metals distribution husiness improved and a lower Canadian dollar also helped. Rio, 51 per cent controlled by RTZ until June 1992, will close its last remaining Ontario uranium mine in 28 per cent from C\$16.3m, or 36: 1996 as contracts with Ontario cents a share, a year earlier. Hydro utility run out.

US metals merger cleared

By Laurie Morse in Chicago

THE US Justice Department gave the all-clear on Monday for a merger, announced in May, between two US metals and mining glants, Coloradobased Cyprus Minerals and New York-based Amax.

The department cleared the sala of the two companies' molybdenite units. But to satisfy anti-trust concerns raised by the merger, the companies, along with others involved in

the molybdenite husiness, were told they are subject to an ongoing investigation into violations of anti-trust laws.

Molybdenite is a metal used to produce heat-resistant alloys used primarily in the aero-space and defence industries. Cyprus and Amax produce the metal as a by-product of other mining operations and both process molybdenite. In the Justice Department decision, they agreed to sell operations in Idaho and Pennsylvania.

Amax said the decision makes way for a Friday share holding vote on the merger, which will form the second largest copper producer in the US and give it a dominant presence in the US coal indus-try. Pending shareholder approval, Amax will distribute 40 per cent ownership in Amax Gold to shareholders, spin off its Alumax aluminium unit in tax-free distribution, and

combine its remaining assets

with Cyprus Minerals.

Stone Container increases sale

By Robert Gibbens in Montreal

STONE CONTAINER, the Chicago-based international packaging group, will sell a larger than expected part of its newsprint business in its stock offer in Canada and Europe. Stone has added convertible debentures to the offer to bring

the amount raised to about C\$450m from C\$300m. On conversion of the debentures, the public would own 40 per cent of Stone Consolidated, against about 25 per cent before the changes to the prospectus. The stock is being offered at C\$13 to C\$15 a share as part of a package of shares and deben-

Stone originally planned a mills and the Ellesmere Port newsprint mill, near Liverpool.

Airlines International, says all

straight Stone Consolidated equity offer. The new company takes in the Canadian newsprint and groundwood paper

PWA, parent of Canadian

Howaver, it can only go through when American Air lines completes a promised C\$246m equity infusion in return for 25 per cent ownership of Canadian Airlines. This, in turn, is held up over a dispute on a reservation system gwnershin hetween Canadian Airlines and Air Canada.

139 senior creditors have

accepted its restructuring plan,

including a C\$700m debt-equity

swap. Junior creditors have

already endorsed the plan.

All of these securities having been sold, this announcement appears as a matter of record only.

October 1993

5,175,000 Shares

Noble Affiliates, Inc.

Common Stock

900,000 Shares

PaineWebber International

Kidder, Peabody International

Merrill Lynch International Limited

This tranche was offered outside the United States and Canada

4,275,000 Shares

PaineWebber Incorporated

Pennsylvania Merchant Group Ltd

Kidder, Peabody & Co.

Merrill Lynch & Co.

Williams MacKay Jordan & Co., Inc.

Dillon, Read & Co. Inc. **BT Securities Corporation** CS First Boston Goldman, Sachs & Co. A.G. Edwards & Sons, Inc. Howard, Weil, Labouisse, Friedrichs Lehman Brothers Lazard Frères & Co. Oppenheimer & Co., Inc. Morgan Stanley & Co. Salomon Brothers Inc Smith Barney Shearson Inc. Petrie Parkman & Co. Dean Witter Reynolds Inc. Wertheim Schroder & Co. Jefferies & Company, Inc. Robert W. Baird & Co. Ladenburg, Thalmann & Co. Inc. Morgan Keegan & Company, Inc. The Principal/Eppler, Guerin & Turner, Inc. Neuberger & Berman Rauscher Pierce Refsnes, Inc. Simmons & Company International Stephens Inc. Brean Murray, Foster Securities Inc. Foley Mufson Howe & Company Interstate/Johnson Lane Hanifen, Imhoff Inc. Josephthal Lyon & Ross Johnson Rice & Company

This tranche was offered in the United States and Canada

All of these securities having been sold, this announcement appears as a matter of record only

October 1995

2,875,000 Shares

Deckers Outdoor Corporation

Common Stock

500,000 Shares

PaineWebber International

Kidder, Peabody International

This tranche was offered outside the United States and Canada

2,375,000 Shares

PaineWebber Incorporated

CS First Boston

Kidder, Peabody & Co.

Prudential Securities Incorporated

Sanford C. Bernstein & Co., Inc.

Dean Witter Reynolds Inc.

Gruntal & Co., Incorporated

Wheat First Butcher & Singer

Alex. Brown & Sons

Bear, Stearns & Co. Inc. Dillon, Read & Co. Inc.

A.G. Edwards & Sons. Inc.

Hambrecht & Quist

Montgomery Securities

Lehman Brothers

Merrill Lynch & Co. Morgan Stanley & Co.

Nomura Securities International, Inc. Smith Barney Shearson Inc.

Arnhold and S. Bleichroeder, Inc.

Furman Selz Ladenburg, Thalmann & Co. Inc.

Morgan Keegan & Company, Inc. Sutro & Co. Incorporated

Adams, Harkness & Hill, Inc.

C.J. Lawrence/Deutsche Bank Securities Needham & Company, Inc.

Brean Murray, Foster Securities Inc. Cruttenden & Company

C.L. King & Associates, Inc. Mabon Securities Corp.

Emmett A. Larkin Company, Inc. Pacific Growth Equities, Inc.

Crowell, Weedon & Co.

Ragen MacKenzie

Pennsylvania Merchant Group Ltd The Seidler Companies

This tranche was offered in the United States and Canada

who supd those in towns who ints. Ele-≅ are will h inflation

Mr Marek olitician in a worsen 1 the IMF. jeopardise country's m govern that the s Poland's ital - until agreement ts owed ı premium hird of the could proleft-wing

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Good news on inflation gives US Treasuries a boost

in New York and Sara Webb

GOOD news on inflation provided US Treasuries with a much needed hoost yesterday morning, lifting prices sharply at the long end of the market.

By midday the henchmark 30-year government bond was up 1% at 101豊, yielding 6.114 per cent. At the short end of the market, the two-year note was 2 higher at 99%, to yield 4.041 per cent.

GOVERNMENT BONDS

The October inflation data turned oot to be a hig, and pleasant, surprise for the beleaguered bond market. Analysts had been expecting the producer prices index to have risen about 0.3 per cent last month, but when the figures were released, the PPI showed

a decline of 0.2 per cent. Even better, core PPI, which excludes the volatile food and energy components, fell by 0.5 per cent. The numbers immediately raised hopes that today's consumer price index will also

Prices surged at the long end as soon as the PPI came out, with the 80-year bond prickly gaining more than one point. The huying, however, was not particularly widespread.

with dealer short-covering contributing to the price gains. Analysts said trading was not as heavy as might have been expected because investors were cautious about getting involved in the market ahead of the afternoon auction of \$17bn in three-year notes.

CONTINENTAL European government bond marksts bounced back to life, mostly taking their cue from the US. Italy was one of the top performers, with the futures contract gaining over a point. The Liffe BTP contract rose from 113.79 at Monday's close to trade at 114.90 by late afternoon. Dealers said domestic factors contributed to the rally and helped to lift a market which many felt had been

Traders were focusing on the 1994 budget, as some key clauses were due to be voted on by the Senate last night. Mr Jouni Kokko of S.G. Warhurg Securities, said: "Many people had thought the 1994 hudget

FT FIXED INTEREST INDICES Nov 6 Hoy 8 Hoy 5 Nov 4 Nov 3 102.61 123.12 02:30 102:25 192:80 102:87 95:45 122:92 123:35 124:01 123:99 109:97 nities 15/10/26; Fixed Interest 1928. unities high since complication: 127.40 (9/1/35), low 49.18 (5/1/75) pilatien: 125.20 (1/6/63) , low 50.53 (3/1/75) GILT EDGED ACTIVITY May 8 May 5 Nay 4 Nor 2 GR Edged Bargeiss 5-Day average 101.8 96.3 88.1 105.3 87.7 109.7

would be delayed but now it looks as though things are going quite smoothly."

• SE activity britices rebased 1974

■ GERMAN government bonds gained half a point, pulled up by the US news and hy the release of poor retail sales figures, which only confirmed the need for lower interest rates in the market's view.

Treuhand, the agency responsible for the privatisation of former east German enterprises, issued a new 6 per cent 10-year bond. Dealers noted switching out of existing 10-year Treuhand issues into the new bond as investors searched for longer duration and were wooed by the gener-ous yield pick-up of about 14 hasis points over Federal

Western German retail sales fell 1.8 per cent in real terms during September compared with a year earlier. Mr Julian Callow, economist at Kleinwort Benson, said the news only highlighted the need for another cut in German interest rates by year-end.

Less favourable for the bund market was the news that new government horrowing may rise to over DM70bn next year. Mr Rudi Walther, the chairman of parliament's finance committee, was quoted as saying new government borrowing would be DM73bn-DM75bn, which dealers said was higher than previously expected.

■ UK gilts gained nearly a point at the long and on the back of positive inflation news.

		Couper	Red Date	Price	Change	Yleid	Waek ago	Monti ago
AUSTRALIA		9.500	08/03	120,7809	+0.558	8.58	6.50	6.6
BELGIUM		9.000	03/03	113.5600	+0.350	6.98	7.10	7.3
CANADA		7.500	12/03	105,2250	+0.575	6.77	5.87	6.7
DENMARK		8.000	05/03	110,9000	+0.370	6.43	8.43	6.5
FRANCE	BTAN	5.750 6.750	11/96 10/03	101,4405 105,1500	+0.216 +0.620	5.41 6.04	5.46 6.05	5.67 6.01
GERMANY		8.000	09/05	101.0600	+0.445	5.85	5,86	5.93
TALY		10,000	08/03	104,6700	+0.435	9.481	9.35	9.0
JAPAN	No 119 No 157	4.800 4.500	06/99 06/03	109.5164 107.2705	+0.208	2.84 3.49	2.91 3.58	3.20 3.81
NETHERLA	NDS	7.000	02/03	108-2600	+0.560	5.81	5.84	5.90
SPAIN		10,900	08/03	114,0000		8.69	8.52	6.67
UK GILTS		7.250 8.000 9.000	03/98 08/03 10/08	104-11 106-04 116-20	+6/32 +19/32 +26/32	6.10 6.83 7.17	6.20 6.87 7.21	6.25 6.84 7.15
US TREASI	ARY -	5.750 6.250	08/03	101-11 101-25	+2/32 +20/32	6.57 6.12	5,64 6.09	5.25 5.82
ECU (Frend	s Govit	8.000	04/03	110.2700	+0.320	6.51	6.44	6.64

favourable producer price data released on Monday, while the release of the US PPI data helped to give the market an extra boost in the afternoon.

The 8% per cent 2017 gilt climbed from 116% to 117% while shorter-dated issues gained nearly a quarter point.

■ JAPANESE paper closed up

Initially, the gilt market on the day, having reached a appeared to be digesting the new six year high as the weakness in the Tokyo stock market

and generally gloomy eco-nomic background hoosted hopes of a further easing in short-term interest rates. The benchmark No 145 issue opened with a yield of 3.445 per cent before moving to 3.415 per cent - corresponding to the

high price of the day - and closed at 3.42 per cent.

Rautaruukki to raise FM320m with share issue

By Andrew Baxter

RAUTARUUKKI, Finland's largest steelmaker, is raising FM320m through a share issue that will strengthen its balance sheet and reduce the Finnish government's stake from 86.8 per cent to 81.1 per

The offering is an important step in Finland's programme to wideo ownership of stateowned companies, as it is the first time that the state has reduced its stake in a company by selling part of its rights in an issue.

The issue is also a dry run for further potential share sales at Rautaruukki. The Finnish government sent a bili to parliament last month which, if approved, would allow it to reduce its stake in the company to just over 50 per

Rautaruukki, founded in 1960, has grown to become one of the two higgest flat steel product companies in Finland and Scandinavia, along with SSAB of Sweden. It also makes tubes and sections.

The company, which employs 9,000, was hit badly by the steel industry recession in after financing items of more

than FML5bn. But Mr Mikko Kivimaki. chief executive, said the timing was right for the issue. Speak-ing in London, he said the company had made big improve ments in productivity and delivery times, and its performance would improve considerably this year.

The issue also takes advantage of better stock market conditions in Finland and the boost to Rautarunkki's export competitiveness because of the

markka's devaluation. Finland will invest FM150m in the issue, but 5.8m of the 14.5m new shares will be sold to the public. Postipankki, the Finnish bank, is lead-managing the issue, and Merrill Lynch is co-lead manager responsible for organising the international placement. The third placement agent is Opstock of Finland.

There is no limit on the amount of shares which can be sold internationally. The issue is expected to be priced. at FM22 a share, compared with a market price of FM42 for the shares already traded: publicly.

Goldman takes commanding lead in bond league table

By Antonia Sharpe

GOLDMAN Sachs appeared to have safeguarded its position at the top of the Eurohond league table yesterday with the launch of \$500m offerings for BAT Industries and Landesbank Rheinland-Pfalz and a £194.6m securitisation for Standard Chartered Bank.

According to IFR Securities INTERNATIONAL Data, Goldman Sachs had leadmanaged \$26.6hn worth of Eurohonds hy the end of trading yesterday, giving it a com-manding lead of \$3.4ho over Deutsche Bank, which occupied the number one slot at the end of last year.

Sales of BAT's and LB Rheinland-Pfalz's boods were slow due to uncertainty about the direction of the US bond market. In addition, the rally in US Treasuries led to a considerable widening in the yield

The yield spread on BAT's bonds widened to around 79 basis points from 75 basis points at launch while the spread on LB Rheinland-Pfalz's bonds widened by seven basis

points to 29 basis points. Mr Paul Schminke, director for LB Rheinland-Pfalz's foreign and treasury activities,

BONDS

said the offering reflected the increasing internationalisation of the bank's assets.

"At present, we have to refinance these through the money market," he said. "The international markets give us hetter conditions than the money market, leading to a considerable improvement of the liability side of the balance

Elsewhere, British Columbia a fixed re-offer price of 97.11,

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the highest rated Canadian province, extended the maturity profile of the Canadian dollar sector with the launch of \$350m of 30-year Eurobonds.

This is the first 30-year Eurobond offering in Canadian dollars, although there have been 30-year Canadian dollar global bond offeriogs hy Ontario Hydro and Hydro Quebec. British Columbia's Euro-

bonds were priced to yield 48

hasis points over underlying Canadian government honds, somewhat below the current vield spread of 55 basis points on its 30-year domestic bood. Lead manager ScotiaMcLoed said the pricing reflected the issuer's view that European investors would be willing to pay a premium for a long-dated and liquid Issue and that the healthy oversubscription and a rise in the boods to 97.70 when they were freed to trade, from

NEW INTERNATIONAL BOND ISSUES US DOLLARS BAT Capital Corp. Landeebank Rhenland-Plaiz Daiwa Industries(a) P +75(WI 10yr) CSFB/ Goldman Sects +22 (4%%-85) Goldman Sects Intl. - Delwa Europe 2 Bank Intl. Finance STERLING CARS No. 3(b)± 180 99.92R Doutsche Bank Finance Penta-Ocean Construction(c)§ FRENCH FRANCS 6.25 Dec.2003 0.325R +25 (64%-03) BNP/ SBS France CANADIAN DOLLARS Province of British Columbia SWISS FRANCS Nichlas Corp.(d)+ф City of Vienna

Final terms and non-cellable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager, *Private placement. \$Convertible, dWith equity warrants, #Roating rate note, #Semi-arranal coupon, R: fixed re-offer pace, fees are shown at the re-offer level, at Pointy: 15/11/93, b) Coupon pays 3-month Libor + 0.325%. Average title: 42 years. Simultaneous taunching of £14.8m mezcanine notes. Tap option of up to £200m in arrounts of £20m until £3/11/95. e) Feding: 16/11/93. Callable from 1/10/94, subject to 125% rule at 102/4% declining by 4% semi-arranally. d) Fixing: 15/11/93, Refixing clause effective Feb.1998. Callable on 25/11/95 at 101% declining by 4% annually.

justified the pricing. Late in the day, Pemex, the Mexican state-owned oil company, tapped the Canadian dollar sector for the first time with a C\$100m offer of six-year

Eurobonds. The yield spread of the secondary market. 195 basis points over Canadian government bonds was thought ambitious in view of the recent widening of spreads oo emerging market bonds in

In the Eurosterling marke the securitisation of vehicle hire purchase receivables for Standard Chartered was largely pre-placed.

Capital flow to developing countries breaks record

By Tracy Corrigan

A REVIVAL of private capital boosted net capital flows to developing countries to a record \$165.5bn in 1992, 23 per cent higher than in 1991, according to the latest Finan-cial Market Trends survey by the Organisation for Economic Co-operation and Development

The 51 per cent growth in private capital was dominated by the expansion of international bank lending (\$38bn), foreign direct investment (\$29bn) and bond financing (\$13.4bn).

Official development finance from other countries has beeo in decline, due to a sharp fall-off in aid from some donors (principally Arab coun-

EQUITY OPTIONS

tries and the former Soviet

union). Most of the increase in capi tal flow was concentrated or more advanced countries, while poorer and smaller countries, particularly those in sub-Saharan Africa, still rely on:

development finance. Total external debt for developing countries in 1992 reached \$1,534m, up around 3 per cent. The level of borrowing is increasing across all financial markets, according to the aur-

The OECD notes a 14 per cent rise to \$5260m in horrow-ing facilities in the international financial markets for the year to October, As well as record bond issuance, there has also been a pevival of syndicated lending.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE	RISES AND FALLS YESTERDAY	Li	IFFE
Lated are the latest premational bonds for which there is an adequate secondary market. Chg. Latest prices at 7:00 pm on November 8 Chg.	British Funds Same 56 1 21	CAULS PHITS	
U.S. DOLLAR STRAKGRTS Space Bid Offer day Yield OTHER STRAKGRTS India Bid Other tay Yield Abbey No. Tersarry 812 03 1000 107-12 102 4-18 4.84 Abbed 712 95 LFr. 500 99-13 1001 207-12 7.27 Abbets/Projence 91-9 95 500 109 109-12 4-18 4.48 Sentimatore 1.us 91-9 81 LFr 1000 1071-14 1012 7.43 Arstria 81-9 00 400 114-12 115-12 4-19 5.81 World Bank 89 6 LFr 1000 1071-14 1012 7.28 Bank of Tukya 81-9 95 1001 1075-1 1981-14 4-19 5.34 Energie Beheer 81-9 81 500 1111-14 1111-14 5.08 BELL 71-8 97 150 1981-12 1981-12 1981-12 1981-14 4-19 5.34 Energie Beheer 81-9 81 500 1111-14 1111-14 5.08 BELL 71-8 97 1001 1002 5.65 5.65 1004 1002 5.65 Benth of Tukya 81-12 1002	Other Fixed Interest 6 0 9 Commercial, industrial 226 352 841 Financial & Property 139 199 488 Of & Gas 16 11 50 Plantations 1 1 7 Mines 38 31 69 Others 43 48 48	Option Jan Apr Jel Jan Apr Jel Option Affect-Lyces 500 53½ 57½ 66 6½ 12½ 21½ 67 67 67 67 67 67 67 67 67 67 67 67 67	Option: 1379. 1351) 1361 Talaccom 1460) 1460) 1450)
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British Commencent						4 Medium 5 mars	7.18	7.22	3.35
1 Up to 5 years (24) .		+0762	128,81	1.85	10.03	5 Company 15 years.	7.19	6.25 7.25	7.12 16 150 =
2 5-15 years (23)			186.85	1.71	11.56	C (40 - 10-10-10) 20 years	7.23		27 4 7
3 Over 15 years (8)		+8.67	178.17	2.68	10.04	A A A A A A A A A A	-7 020	6.51	7.37
4 Irredeemables (6)	295.92	+0.78	264.34	0.38	13.47	9 (1%-) 20 years		7.45	8.76
5 All stocks (61)	151.81	+6.31	151,35	1.92	10.83	10 kredouszbies@let Yold)	7,40 7,27	7.47 7.33	8.05 8.74 kg
Index-Linked						Index-Linited			### **
6 Up to 5 years (2)	190.00	+0.03	196.02	0.53	4.26	11 Inflation rate 5% Up to 5	2.32	9.40	
7 Over 5 years (11)_	186.84	+0.17	186.59	0.03	4.29	CARL 2	248	2.33 3.15	220 3.67
8 All stocks (13)	186,26	+0.10	185.98	9.88	427		16 L 169	1,53	金
+				4.00		15 Pole &	尾 297	2.08	3.69
9 Date & Louis (66)	143.18	+6.48	142.42	2.22	9.75	18 Longs		7.83	8.79
<u> </u>	1 . 1					17! 25 992	8.55	22	973

This information contained in this document, which is dated 9 November, 1993 is in summary form and has been derived from, and should be read in conjunction with, the listing particulars dated 9 November, 1991 (the "Prospection") relating to the Registrat of Company in England and Wides for registration as required by section 149 of the PSA and copies are available at the addresses based below until 5 November, 1993 and he reduction in on the Company accounts as required by section 149 of the PSA and copies are available at the addresses based below until 5 November, 1993 and he reduction in on the Company accounts as required by section 149 of the PSA and copies are available at the addresses based below until 5 November, 1993 and he reduction in on the Company accounts as required by section 149 of the PSA and copies are available at the addresses based below until 5 November, 1993 and he reduction in on the Company accounts as required by section 149 of the PSA and copies are available at the addresses based below until 5 November, 1993 and he reduced to the reduced and account of the reduced as appropriate to the reduced by the section 149 of the PSA and copies are available at the addresses based by the reduced by the reduced

from should more that, in respect of the Plating and the Public Offer, J. Henry Schneder Wagg & Ca. Limited is acting for DPS Furnature Company ple and those of its entering shareholders who are editing or the Offer and not on else and will not be responsible to anyone other than DPS Furnature Company ple or such existing shareholders for providing and expressions affined to elationness of J. Henry Schneder Wagg & Ca. Limited or providing advise in relation to either the Public Offer.

Winds and expressions defined in the Prospectus have the same meanings when used in this deciment, unless the continuous there are meanings when used in this deciment, unless the continuous requires otherwise.

The application has been made to the totaless stock Exchange for the value of the ordinary shares and that dealings in the ordinary shares will commence on Wednesday, 24 November, 1993.

Furniture Company plc (Incorporated and registered in England and Wales under the Companies Acts 1948 to 1967; Registered No. 9721071

PLACING AND PUBLIC OFFER BY **SCHRODERS**

of 50,018,206 ordinary shares of 5p each at 260p per ordinary share payable in full on application of which 32,511,834 ordinary shares are being placed and 17,506,372 ordinary shares are being offered to the public

ir caks rec

DFS is the United Kingdom's leading specialist retailer of upholstered furniture. DFS is a specialist retailer and manufacturer of upholstered furniture with out-of-cown stores sized mainly in central and northern England. The Group opened its first upholstered furniture store in 1969, and now sells from 24 stores, 19 tracking as DFS and five tracking as Northern Upholstery. In addition, it sells disling room furniture from a further three stores tracking as

DFS operates from a small head office in Doncaster and has two manufacturing facilities producing approximately 15 per cent. of the upholstered furniture sold by the Group.

KEY STRENGTHS

The success of DFS has been built on a strong management team, the Group's policy of specialising in upholstered furniture and on its attention in crown a poincy or speciasising in optionscreed turnium and on its attention in quality and densil in every aspect of its business, time product design through to after sales service. Each step is treated as important in its own right and integrated into a distinctive retailing process. This approach differentiates DFS from competitors and underplus the Group's success. Key leatures of the

- Planned store network: The network is expanded by grouping stores within television advertising regions and according to predetermined customer drive-time coneria which minimise careliment area overlap.
- Sales and marketing skills: Products are displayed in attractive room settings within spacious modern stores and consumer advertising promotions throughout the year generates high levels of store craffic.
- Customer service: The Group places strong emphasis on the provision of high service levels to earn and proce
- Product exclusivity and range: DFS offers a wide range of quality, value for money upholatened furniture, almost all of which is exclusive to the
- Group in design or salpic
- Supplier relationships: DFS benefits from close collaborative relationships with its suppliers as a result of its own manufacturing expertise and its importance as a customer.
- Manufacture to order: All products are manufactured to order and the Group holds only a limited smount of stock.
- Prolitability: Sales per square fact in 1993 in excess of £300, combined with an element of vertical integration, allows the Group to beautiful. operating margins of over 15 per cent.
- Strong cash generation: DFS is strongly cash generative, with cash flow from operations of more than £70 million over the last five years, which has enabled it to finance its expansion programme from its operating

PROSPECTS.

The Directors believe that DFS will maintain its excellent record of growth based on its highly successful formula as a specialist retailer of upholocered furnituse. In particular, significant growth opportunities exist through: Expansion of its upholstered furniture store network throughout the United Kingdom.

- Continued emphasis on marketing and promotional activities to maximise
- Maintaining and improving efficiency both in manufacturing and retail

in addition, the Directors believe that the Group should benefit from increased activity in the United Kingdom housing market. The Directors intend to continue in pursue a policy of financing growth with cash generated

TRADING RECORD

Summary financial information on DFS for the five years ended I August. 1993 together with certain other trading information, is set out below:

			_		_
	1989	1990	1991	1992	1993
Trading record		40.0	-	82.8	114.2
Turnover (£m)	34.9	49.8			
Operating profit (Em)	4.1	7.7	. 13.7	13.6	18.6
Profit before non-recurring frems and taxation (Em)	4.7	8.6	14-7	14.9	20.8
Other trading information Number of stores at year end	16	. 19	23 271	23	26
Average curnover per sq. fr. (£)	175	204	271	254	326

The Group's turnover has increased by an average compound rate of 34.5 per cent, per annum since the year ended 30 July, 1969 and operating profits have increased by an average compound rate of 45.7 per cent, per annum over the same period. This growth has resulted from a combination of a store development programme which has seen 14 new stores opened during this period, increasing the Group's retail space by 211,224 sq. ft., plus additional sales from existing stores. Since 1 August, 1993, DFS has opened a new store in Darlington and this store is tracking in line with expectations.

Group trading in the current financial year is in line with expectations, with orders shead of the previous year on a like for like basis. Accordingly, the Directors believe that prospects for the current year are encouraging and that operating margins should be maintained at around the level achieved in the year ended 1 August, 1993.

DIVIDENDS

The ordinary shares which are the subject of the Offer rank in full for all dividends or other distributions declared, made or paid in tempect of the ordinary share capital of the Company after Listing, If the Company's ordinary shares had been listed on the London Stock Exchange for the whole of the year ended 1 August, 1993 with the capital structure of the Company which will be in place on Listing, the Directors would have recommended a dividend of 6.4p per ordinary share (8.0p per ordinary share inclusive of the associated 20 per cent. tax credit) in respect of that year. This would represent a notional gross dividend yield of 3.0 per cent. as the Offer Price and would have been

covered 2.1 times by pro forma earnings for the year ended 1 August, 1993. The Directors intend that an interim dividend will be paid in June and a final dividend in December of each year, in the approximate proportions of final dividend dividend. The respectively of the Directors intend that the first interem dividend will be payable in June, 1994 on the basis that the Company was listed throughout the six month period to which the interim dividend will relate.

OFFER STATISTICS

Offer Price	260p
Number of ordinary shares in issue following the Offer	104,255,123
Market capitalisation at the Offer Price	£271.1 million
Percentage of issued share capital now being offered	48.0 per cent.
Earnings before non-recurring items per ordinary share for the year ended 1 August. 1993	: 13.2p
Earnings after non-recurring trems per ordinary sture for the year ended 1 August, 1993	4.6p
Price earnings multiple before non-recurring items at the Offer Price for the year ended 1 August, 1993	19.7 times
Notional net dividend per ordinary share for the year ended 1 August, 1993	6.4p
Notional gross dividend yield at the Offer Price for the year ended 1 August, 1993	3.0 per cent.
Notional dividend cover for the year ended 1 August, 1993	2.1 tames
Pro forma consolidated net assets per ordinary share at I August, 1993	14.25

EXPECTED TIMETABLE

Last time for receipt of completed A	pplication 10.00 a.m. on Wednesday,
Forms in respect of the Public Offer	17 November, 1993
Basis of allocation announced	Thursday, 18 November, 1993
Despatch of renounceable letters of	allocation Tuesday, 23 November, 1993
Dealings expected to commence	Wednesday, 24 November, 1993
Last time for splitting 3.0	00 p.m. Wednesday, 29 December, 1993
Last time for registration of renunctat	non 3.00 p.m. Friday, 31 December, 1993
Despetch of definitive share certification	Friday, 14 January, 1994

GUIDE TO THE APPLICATION FORM The following instructions should be read in conjunction with the Application Form-

- I insert in Box I (in figures) the number of ordinary shares for which you are applying. Applications must be for a minimum of 200 ordinary shares
- are applying. Applications must be and in one of the following mulcip for more than 200 shares, but not more than 500 shares, in a multiple
- of 100 shares;
 for more than 500 shares, but not more than 2,000 shares, in a multiple
- for more than 2,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares; but not more than 50,000 shares, in a for more than 10,000 shares, but not more than 50,000 shares, in a
- Iriple of 5,000 shares; and for more than 50,000 shares, in a multiple of 10,000 shares.
- An Application Form for any other number of shares may be rejected.
- 2 Insert in Box 2 (in figures) the amount of your payment.
 The amount of your cheque or banker's draft should be the Offer Price of 260p multiplied by the number of ordinary shares inserted in Box 1. For example: shares applied for shares applied for £1,950 £520 300

1,500

£3,900

rica Form in Box 3. 3 Sign and date the Applica Sign and date the Application Form in flox J.

The Application Form may be signed by someone circ on your behalf | and/or on behalf of any joint applicant(c)) if duly authorised by power of attorney to do so, but the power of attorney passease to which thus is done (or a copy certified by but the power of attorney passease to which thus is done (or a copy certified by a solicator) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised officer whose representative capacity must be stated.

£1.040

Insert your full name and address in BLOCK CAPITALS in Box 4. Insert your full name and address in SLOCK CAPITALS in Box 4.

Applications may only be made by persons aged 18 or over. However, a parent, grandparent or guardian of a person under 18 may apply for the benefit of a minor, you should put your own name in full in Box 4 and complete the minor's densitie box, within Box 4, with the full name of the minor and the minor's date of birth. You are not thereby precladed from making a single application for your own benefit. See notes 6 and 7 for joint applications

- 5 You must pin to the completed Application Form a single cheque or banker's draft for the full assount payable. connect's draft for the run amount payante.

 Your cheque or banker's draft must be payable to "National Westminster Bank Ple A/C DFS Offer" for the amount payable on application inserted in Box 2 and should be crossed "A/C Payee". No receipt will be issued for this payment which must be solely for this application.
- this payment which must be solely to this application.

 Cheques or banker's drafts must be drawn in sterling on an account at a branch of a bank in the United Kingdom which is either a serdement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those
- Applications may be accompanied by a cheque or a banker's draft drawn by ne other than the applicant(s), but any moneys to be returned will be sens by erossed cheque in favour of the person named in Box 4. If you are also applying on the Pink or Green Application Form, you must pin a separate chaque or banker's draft to each completed Application Form.
- 6 You may apply jointly with up to three other persons. If you do so, you must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons, in addition to the first applicant). Their full rismes and addresses should be put in BLOCK CAPITALS in Box 6. Letters of allocation in the names of joint applicants will be sent to the applicant
- IMPORTANT: If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your same only.
- 7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in Box 3 and complete Box 4). If any individual is signing on behalf of any joint applicant(s) the power(s) of attorney (or a copy (copies) certified by a solicitor) must be enclosed for
- 8 If you are unable to warrant in the terms of any of points (I), (ii) or (iii) set out below Box 7, you must delete the relevant warranty and give such further information as is requested.

TERMS AND CONDITIONS OF APPLICATION

STAMP DUTY AND STAMP DUTY RESERVE TAX Attention is Jesses to like Materiaths on Page H of the Prospection republing mamp duty and improp in

AVAILABILITY OF PROSPECTUS AND APPLICATION FORM Copies of the Prospectus and Application Form may be obtained until 15 November, 1993 by telephoning 0645 100 645. Copies of the Prospectus and Application Form may be obtained until 25 November from:

J. Heary Schroder Wagg & Co. Limited 120 Cheapside London EC2V 6DS NatWest Wood Mackenzie & Co. Limited 135 Bishepsgate Lundon EC2M 3XT

DFS Furniture Company plc Bentley Moor Lane Adwack-Le-Street Doncaster South Yorkshure DN6 7BD National Westminster Bank Plc Registrar's Department, New Issues Section 15 Featherstone Street London ECIY SQS

and from the following branches of National Westminster Bank Plea

BIRMINGHAM Colmore Centre 103 Colmore Row BRISTOL 32 Corn Street CARDIFF 117 St. Mary Street DONCASTER 12 High Street EDINBURGH 50 George Street EXETER 59 High Street GLASGOW 14 Bhythswood Square HULL 19 Sulver Street LEEDS 8 Park Row MANCHESTER 55 King Street NEWCASTLE UPON TYNE 87 Grey Street NORWICH 45 London Street NOTTINGHAM 3 Thurband Street or from Ulster Bank Limited: BELFAST Personal Investment Unit 88/90 High Street

DELIVERY OF APPLICATION FORM

You must send the completed Application Form together with the choque or banker's draft by post to National Westminster Bank Pic. Registrar's Department, New Issues Section, PO Box 859, Hartcliffe, Bristol BS99 IXZ, or deliver it by hand only to National Westminster Bank Pic. Registrar's Department, New Issues Section, 15 Featherstone Street, London EC1, so as to be received not later than 10.00 a.m. on 17 November, 1993. If you past your Application Form, you are recommended to use first class you and allow at least two working days for delivery. Photostat copies of Application Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety.



PUBLIC OFFER APPLICATION FORM

Offer by Schroders of \$0,018,206 ordinary shares of 5p each in DFS Furniture Company plc ("ordinary shares") at 260p per share,

payable to full on application Before making any application to acquire shares vanishorised under the Financial Services Act 1986. FOR OFFICIAL USE ONLY I. Form No. (or any smaller number of shares for which this application is accepted) at the Offer Price of 260p per share payable in full on application on the terms and conditions set out in this Application Form and the Prospectus dated 9 November, 1993 and subject to the memorandum and articles of association of DPS Furniture Company plc. and live areach a chease or banker's draft made psyable to "National Weseminster Bank Plc A/C DFS (260p multiplied by the number of ordinary shares inserted in Box 1) Dated November, 1995 Signature PLEASE USE BLOCK CAPITALS Forename(s) (m fell) Minor's forename(s) (un full) 7 Cheque No. Pin here your cheque or banker's draft made payable to "National Weststinster Bank Pic A/C DFS Office" and crossed "A/C Payee" for the amount in Box 2

Fill in Boxes 6 and 7 only when there is more than one applicant. The first or role applicant should sign in Box 3 and complete Box-4. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signature is required in Box 7.

N.B. If you make a joint application, you will not be able to transfer the shares into a PEP. PLEASE USE BLOCK CAPITALS Forename(s) in full to Mrs. Mrs. Mrs. or colo Address (m full) Address (un full) Postcode

Tou are not applying as, or as (a) nonsequely or agent(a) for, (a) person(a) who islant (a) marker maker(t) in the shares of DFS Furniture Company pic wishis the one section (i) of the Figure Act 1986. If this warrancy is deleved, please state the date on which application for reguration as a marker maker as respect of the shares was the Lundon Stock Eachunge You are not applying for regularizables, or so (a) constructed or mestody for, a body of persons emblashed for charitable purposes only. If this summary is deleted, please summer of charity and regularized transfer (where applicable).

Applications must be received by 10.00 a.m. on 17 November, 1993. The completed Application Form together with a chaque or butker's draft for the amount payable should be posted to National Westminster Bank Pic, Registrar's Department, New Issues Section, PO Box 859, Hanteliffe, Bristol BS99 1XZ, or delivered by hand only to National Westminster Bank Pic. Registrar's Department, New Issues Section, 15 Featherstone Street, London ECI. Any person agreeng this Application Form under a power of attorney must enclose the original power of attorney must enclose the original power of attorney for a copy ceruland by a solution) for inspection.

Sales increase sharply, boosted by 8% price increase in April

Anglian Water flat at £100.5m

ANGLIAN WATER, one of the largest privatised water companies, was yesterday quietly optimistic about its full-year outlook in spite of reporting virtually flat pre-tax profits of 2100.5m for the six months to September 30

Mr Chris Mellor, finance director, said the group was confident it "might show some improvement on the full year". Analysis pencilled in forecasts of £190m for the year to March 31. against £185.4m last year. The shares closed 3p down at

491p. Mr Mellor also indicated that Anglian intended to launch a concerted lobbying effort fol-

Multitone

agrees to

bid from

By Paul Taylor

Champion

lowing last week's consultation document on pricing regulations in the water industry. Mr Ian Byatt, the industry regulator, has indicated he wants to cut the rate of return enjoyed by water companies from 7 per cent to about 5 per cent.

"It is something we don't see adding up," Mr Mellor said. Anglian, was committed to spending some £2bn between 1995 and 2000, including installing compulsory metering in more than 1.3m homes.

Such investment levels would require "a rate of return which enables us to finance the business on a sustainable basis," Mr Mellor said. Anglian's profits were

achieved on a sharp rise in

sales from £286.3m to £341.4m. The increase was partly due to an 8 per cent price rise in April, which accounted for £22m of sales, and also to the inclusion for a full six months of Nordic Water,

Nordic Water, which was nurchased in February for £38m and broke even in the firat half, offers design contracting and equipment supply services to water companies i Europe and North America. Mr Mellor said Anglian expected Nordic to return a profit in the second half, and cover its interest costs for the full year.

In the core water business Anglian showad a £2.7m increase in operating profit to. £118.7m. The advance was held

in measured income, or sales to industrial customers. "Companies under cost pressure are generally looking to cut back on water consumption," Mr Mellor said.

The start-up costs of Anglian Water International resulted in a £2.2m loss, leaving an operating profit for the group of £116.5m (£114m).

A 49 per cent increase in debt to £423.8m reflected the rise in capital expenditure from £147.2m to £178.9m. Investment was budgeted at 2380m for the full year. Gearing was 23 per cent.

The dividend was raised by 7.4 per cent to 7.3p, while earnings rose from 31.7p to 32.2p.

Norwegian tanker group for market valued at £212m

Transport Corresponder

BONA Shipholding, a company CHAMPION Technology, the set up to run the tanker inter-Hong Kong-based telepagiog group, yesterday made a rec-ommended 143p-a-sbare casb ests of Norwegian shipping group Leif Hoegh, plans a stock market listing which will offer for Multitooe Electronics which values the UK-based raise \$120m of new capital and value the company at about \$320m (£212m). Bona, a Bermuda-registered

further three tankers.

to about 42 per cent.

company which was set up last

year, already has interests in

12 oil-bulk-ore vessels, tankers

and product carriers and has

placed orders and options for a

It plans to issue between 11m

and 15m new shares at about

\$10-\$12 a share in a move

which would reduce Leif Hoegh's stake from 76 per cent

A pathfinder prospectus is to

be issued at the end of Novem-

ber with pricing likely to fol-

low in the second week of

sixth sbare offering to be

Resignations at

Spring Ram, the kitchens and

bathrooms group, said yester-

day it had received resigna-

tions from Mr Ron Farr, chief

executive of the group's special

products division, and Mr

David Riley, chief executive of

Spring Ram

By Andrew Bolger

substantial gearing.

paging equipment ploneer at just over £21.5m. Champion said it bad received irrevocable undertakings in respect of 62.4 per cent of Multitone's isseed equity. Multitoce's shares closed 8p

higher at 139p. The deal, once completed. will provide the fast-growing mplon group, which was listed in Hong Kong in August last year, with additional manufacturiog capacity, and access to the European market for paging equipment.

Champion, which has a market capitalisation of HK\$802.4m (£70.1m), yesterday reported pre-tax profits of HK\$148.8m on turnover of HK\$298.6m in the year to June 30. The group bas recorded compound growth in turnover of 122,3 per cent over the last three years - mainly fuelled by the market in China but has acknowledged that tha supply of adequate numbers of high quality products is the main limiting factor affecting

Multitone, which has operations in the UK, continental Europe and Malaysia and distributes Its products mainly in Europe, developed the first radio pager in 1955 and was one of the pioneers of

In the year to April 30 the group reported pre-tax profits of £1.6m (£1.9m) on turnover of £24.6m (£23.2m).

it's future growth.

ing saying that It expected to report a small pre-tax loss in the first half and only a small pre-tax profit for the year.



Rudolph Agnaw: listings in London. Oslo and the US

announced by a shipping company in the past six months and signals a reawakening of investor interest in the sector, said Mr David Freud, a director of SG Warburg, which is bandling tha listing and share

Warburg will offar 85 per cent of the new shares to inter-

remainder will be offered in Norway by Den norske Bank. The shares will be listed oo the Oslo stock exchange and also traded in London and in the US to qualified institutions under Rule 144A.

More than half of the world's tanker fleet is more than 15 years old and tougher safety standards could lead to many more vessels being scrapped over the next few years.

By separating its tanker interests from its other activities Leif Hoegh will avoid distorting its balance sheet and will distance itself from the risks inherent in far tougher environmental legislation introduced in the US in the wake of the Exxon Valdez oil

Bona'a chairman is Mr Rudolph Agnew, who is also chairman of TVS and a former chairman of Consolidated Gold Fields. Mr John Smadal, a forchief executive.

Profits warning clips 61p off FII shares

SHARES in FII plunged 61p to 280p yesterday as the aboe manufacturer and scientific instrument supplier issued a profits warning just one day before its annual general meet-

FII said yesterday that it the bathrooms division. Mr Roger Regan, who was Installed as chairman of Spring expected a £1m loss in its science and technical division. Ram by disgruntled shareholdfollowing the unexpected caners in July, requested the resigcellation of a contract and the nations in September when he separate recall of one of its major products. The result announced a change in would be a substantial reducaccounting policy which tion in profits compared with last year's £3.48m. Analysts Yesterday's announcement had been expecting full year marks the conclusion of legal | profits of about £5.3m. negotiations on the terms. The future strategy relating

division was now under consideration.

However, the company sought to reassure investors with an optimistic statement over trading in its other divisions and in the second half. As a result, its dividend policy would remain unchanged, FII

As one of the main suppliers of ahoes to Marks and Spencer, FII has been unable to pass on tha sharp increases in raw about 71.3m transactions materials costs following the devaluation of sterling. The increase in costs was partly to blame for a 19 per cent tumble in annual profits to £5.2m.

Turnover advanced to £16.5m

Mr Joseph Grimmond, chair-

However, profit margins had

Nu-Swift makes progress on privatisation

By David Blackwell

NU-SWIFT, the fire protection and property group which is being taken private, reported pre-tax profits up from \$2.5m to £4.3m for the first half of

The company said yesterda that "significant progress" had been made towards the privatisation. The Yorkshirebased group, quoted on the USM, is 66 per cent owned by its chairman, Mr Jacques Murray, through European Fire Protection. Mr Michael Ashcroft's ADT holds 22.8 per

Group turnover fell from £154.5m to £152.1m. Turnover from discontinued operations accounted for £182.3m, reflecting the contribution from the US office cleaning and maintenance division which was sold in June.

Turnover from continuing operations rose from £18.2m to £19.7m.

The group said that its fire protection business had "con-tinued to make a considerable contribution to profits", with a new production unit in Yorkshire helping to cut costs. Th division contributed £2.7m to operating profits, down from £2.8m last time.

Operating profits from the property investment division rose from £5.5m to £6.3m. The group said that while no inde pendent valuation of its investment property portfolio had been made since December 31 last year, the board was confident it bad more than

maintained its value.
It continued to yield gross rental income of more than 10

Earnings per share were 7.52p (5.09p). No interim dividend will be paid. However, the group said that if the privatisation talks were terminated, with no subsequent offer to shareholders, the board "will recommend a spe-cial interim dividend for

Leeds Permanent 22% up despite rising bad debts

LEEDS PERMANENT, the UK's-fifth largest building society, yesterday reported a 22 per cent rise in pre-tax profits to £186.2m for the year to September 30 in spite of increased provisions for bad debt.

The provisions, which rose from £105.2m to £181.1m, reflected a fall in property values of about 5 per cent in the last quarter of 1992 which increased losses on properties held in possession.

However, provisions in the second half of the year were down by 44 per cent compared with the first half.

There was also a deduction of £50.9m from net interest received to reflect irrecoverable interest on properties in sion and arrears. But a sharp increase in net interest

£428m - contributed significantly to the society's improved profitability.

Mr Roger Boyes, finance director, said the increase was largely because of the society's active Treasury operation, as well as the opportunity for widening margins as interest rates fell in the aftermath of sterling's departure from the European exchange rate mechanism last autumn.-

He said a 14 per cent increase in management ses to £220.4m reflected in part the depreciation of earlier investment in information

Mr Boyes confirmed that the Leeds was still looking for other opportunities after its plans for a merger with National & Provincial, tha UK's eighth largest society, were called off at the eleventh hour last month because of cul-

tural differences. The society has also resumed its search for a new chief executive, but it is now unlikely

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that anyone will be in place before the end of the year. Mr John Wriglesworth building societies analyst at UBS, said the results both set the trend for the building sockety sector in improved profitability and capital strength, and confirmed Leeds' "viability as an independent financial institution" even though it had lost out on the added benefits

of the proposed merger. The results were typical for the sector only because in covering the last quarter of 1992, they included provisions for bad debts which would have been included in other societies' results for 1992-93.

Macmillan's fate known today when final bids are opened

THE FATE of Macmillan, the US publisher bought by the late Mr Robert Maxwell, should be known today after the final bids for the

Price Waterhouse, administrators to the Maxrell Communications Corporation, are responsible for selling the business, which includes a 50 per cent stake in the Macmillan/McGraw-Hill School Publishing joint venture.

Four companies were invited to submit final sealed bids by 5pm New York time

The four are Harcourt Brace Jovanovich the US publishers, K-111 the US magazine publisher, Paramount Communications and Pearson, owner of the Financial Times.

Price Waterhouse said last night there would

be no further round of bidding and that the highest bid submitted would now win. The sale is likely to be the largest of the US disposals of the former Maxwell empire and is likaly to produce well in excess of \$500m

Pearson, the only non-US bidder, is particularly interested in the college and school text-book business of Macmillan.

Savoy appointment postponed

industries Correspondent

FORTE and Savoy yesterday postponed a decision on who should take over the chairmanship of the Savoy group when Sir Anthony Tuke retires in

May next year. The Savoy board, which met yesterday, is believed to have discussed the issue briefly, but without reaching any conclu-

Forte is believed to favour Sir

Michael Richardson, chairman

Forte is thought to be opposed to either Mr Giles Shepard, Savoy's managing director, or Mr John Kemp-Welch, joint senior partner at Cazenove, becoming chairman.

of Smith New Court. Both sides would like to see Mr Willi Bauer, a former Savoy general manager, becoming chief axecutive of the

group. Forte owns a majority of Savoy shares and a minority of the voting shares. Neither party would com-

Roxboro shares show modest rise on first day

SHARES IN Roxboro, the further 7.61m shares were Newmarket-based manufac-turer of specialist electronic components, rose to a modest premium on their first day of

trading yesterday.

The shares, which were priced at 230p last week in the placing and offer for sale which was 12.9 times subscribed, closed at 250p with

Under the placing 14.1m shares were placed firm with institutional and other investors by Samuel Montagu and a rent year is lorecast at 1.9p.

institutional investors of

563,540 new ordinary shares at 133p a share. Tha shares were

placed by Allied Provincial

Securities.
The directors said the new

dealership "ahould achieve sales in 1994 of some 300 new

offered for sale to the public. Roxboro has forecast sharply higher trading and pre-tax profits for the current year. Trading profits after central costs, but before exceptional costs of £500,000, are forecast to more than double to £6.5m in the year to December 31,

Earnings are expected to total 11.6p this year (or 13.3p before exceptional items). The notional dividend for the cur-

compared with £3.1m last

NMC jumps 52% as US carton side expands NMC. the London-basad

packaging group, yesterday reported a 52 per cent jump in pre-tax profits to £4.34m for the half year to end-September.

The advance reflected a continuing strong performance from UPC, the core US folding carton operation, together with a return to profit by the UK activity.

Basic earnings per share rose from 2.01p to 4.44p and the Interim dividend is being lifted from 0.5p to 1.25p. The directors looked forward to "continued growth in earnings" in the

Turnover totalled £64.86m (£52.12m) of which the US operation contributed £57.7m (£42.98m). The UK figure fell to £7.18m (£9.14m), although £2.5m of the 1992 figure stemmed from a now discontin-

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in the enterior

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ued operation. Interest chargea increased from £738,000 to £1.23m and tax from £771,000 to £1.26m.
The US operation benefited from a stronger dollar while

the UK side was expected to

The shares put on 4p to 120p.

continue profitable trading.

NEWS DIGEST

Pittencrieff boosts

and some 300 used cars" which would result in a contribution to group operating profits of "at least £150,000."

Budgens £30m loan stock offer accepted Budgens, the UK food chain, has received acceptances in respect of £9.87m - 32.9 per cent - of the loan stock in its 230m open offer. This includes £8.8m subscribed by Rewe, the

private company which is one of Germany's largest food retailers. In accordance with the terms of the open offer and the subscription, the balance of £20.1m of the stock will be subscribed

by Rewe. Rewe is acting through Budgens in its plan to open a chain of discount food stores in south-east England.

Hartlepools Water

Pre-tax profits of Hartlepools Watar showed a 7 per cent improvement from £870,000 to £720,000 for the six months to September 30. Turnover grew

rises to £720.000

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
r	7.3	Apr 6	6.8		21.1
ns)\$fin		Dec 21	1	2 .	. 1
ndInt	2.7†	Jan 6	3,4	-	10
Wtrint		Jan 1	22	· _	55
int	4	Dec 17	3		15
<u>hrt</u>	1.25†	Jan 28	0.5	_	2
-					=

At the same time Dixon said by £150,000 to £2.76m. it was raising £749,500 before An improved interim diviexpenses via a placing with

dend of 23p (22p) is declared, payabla from earnings per share of 71p (67p).

Canadian interests Pittencrieff, the oll and gas concern, has agreed to acquire for C\$6.75m (£3.32m) an addi-

tional 24.8 per cent working interest in the Patricia Ga Field in Alberta, Canada, This is together with a 100 per cent working interest in 5 wells and over 3,500 acres of development lands adjoining the Patricia

Barclays to sell US factoring operation

Barclays Bank, the UK clearing bank, is to sell Barclays nmercial Corporation, its US factoring operation, to The CIT Group Holdings for an disclosed sum. Completion is expected in early 1994. BCC's net assets at Decem-

ber 31 1992 were \$48.2m (£31.9m). **H&C** plans disposals

in Australia and NZ

Harrisons & Crostield intends to dispose of a substantial part of its Australian and New Zea-land operations within the next six months.

It is expected that a public flotation will be the preferred method of disposal, but H&C is also considering the option of a trade sale.

Rentokil in £5m expansion

Rentokil, the environmental and property services com-pany, has expanded in both Spain and the US via acquisitions totalling £5m.

In Spain, it has acquired Corporation Internacional Ratin of bondholders. logether with Compania Inter-

nacional de Desinsectacion y Antiplagas, two related pest control companies based in Barcelona. Tha cash consideration totalled Pta740m (£3.7m).

The US acquisition was of Exotic Plant Rentals of Elgin, Illinois. Tha price paid was \$1.7m in cash.

Bennett & Fountain EGM requisition

The board of Bennett & Foun-tain Group, the wholesaler and retailer of alectrical goods which is being acquired by Marlowe Holdings in a recommended £2.1m offer, has received a formal requisition for an extraordinary general

The requisition comes from shareholders representing, in aggregate, 10 per cent or more of B&F a ordinary share capi-

The requisition contained resolutions proposing, among other things, the appointment of further directors to the B&F board.

Elswick sells Bomford for £7.7m

Elswick is selling Bomford Turner, ite grass-cutting machinery subsidiary, to the Texas based Alamo Group for about £7.7m, to allow it to concentrate on its core print and

packaging business.

The proceeds - which will be realised as £5.2m in cash and the balance as interest-bearing loan notes - will eliminate debt and leave the group with pro forms net cash of £1.3m.

Greycoat refinancing

Greycoat, the property com-pany that agreed to a rescue refinancing last week, said yesterday it had received support for the proposal from one class

The company said the co-or-

dinating committee of Britannic House bondholders, representing more than 75 per cent of the class, was broadly supportive of the restructuring proposals put forward by the UK Active Value Fund.

Greycoat also needs the support of the preference and ordinary shareholders if it is to avoid risking being put into default on a second class of bonds - the zero coupon bonds.

Thorn EMI calls for inquiry

Thorn EMI has asked Mr Warren Rudman, the former US Senator, to conduct an inquiry into procedures at Rent-A-Center, its American rental subsid-

A Wall Street Journal article last September alleged that Rent-A-Center used unorthodox methods to deal with customers who had fallen behind on rental payments.

Bermuda Fire & Marine Insurance

The Department of Trade and Industry is examining the cir-cumstances surrounding tha collapse of a leading Bermudabased insurance company, Bermuda Fire & Marine Insurance. Bermuda Fire & Marine filed for a winding up petition on the island last week DTI con-

the company's London branch which operated until the mid-Mr Gareth Hughes, a partner of Ernst & Young, London, and Mr Tony Joaquin, a partner in Ernst & Young, Bermuda, were appointed provisional liquidators of the Bermnda company

cern is understood to focus on

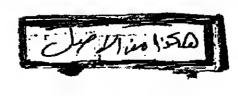
Correction

last week.

Automagic Hldgs

Shares in Automagic Holdings rose 14p to 27p on Monday November 8, and not 2p to 15p as reported.





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DFS given £271m valuation

MR GRAHAM KIRKHAM. executive chairman of DFS Furniture, and his family yea-terday raised £129m when their sale of 47.7 per cent of the shares in the specialist upholstery retail chain was underwritten at 260p a share. The remaining 51.7 per cent

stake he and his family will have after flotation is worth £140m at the issue price, and the whole company is valued at £271.1m.

Mr Kirkham will not sell any further shares for a year. He will have a three-year fixedterm contract with a remuneration package worth about £300,000.

He said the length of his contract and his continuing substantial investment in the shares showed his commitment to the company. 10Wn hay The issue price gives an historic p/e for the year to August 1 of 19.7, on earnings per share

of 13.2p, before non-recurring Profits included a £868,000 gain on the sale of land, and

excluding that the ple would have been about 20%.
DFS said that had it been quoted, it would have paid a dividend for the year of 6.4p, giving a notional yield of 3.1

per cent, covered 2.1 times. The rating is at a slight premium to the stores sector, J Henry Schroder Wagg, sponsor to the issue, said the pricing reflected investor demand.

Profits before tax and non-recurring items have risen from 24.7m in 1989 to £20.8m in 1993.

EMERALD Energy is to be introduced to.

the USM next week in a £1.7m share plac-

ing which will follow a reverse takeover

engineered by Mr Peter Winton, the

former exploration director of Tricent-

Tricentrol made substantial discoveries

Interim Results for the balf year

ended 30 September 1993.

the North See in the 1980s

before being bought by Arco, the US oil options.

By Robert Corzine



Graham Kirkham, who has a three-year contract, will not sell any further shares for a year

DFS said it expected to main tain its growth rate, and said current trading was in line with expectations.

Operating margins should be maintained at last year's 16.3 per cent.

The group, which has 24 upholstery stores and three shops selling dining furniture, has funded its expansion entirely through cash flow and plans to continue that policy. It has £16m of cash.

"Emerald Energy is based on the Isle of "west Virginia are located in the

The flotation comprises a placing of 32.5m shares and a public offer of 17.5m shares. Applications close on November 17 with the basis of allocation expected the follow-

ing day. Dealings are due to start on November 24. NatWest Wood Mackenzie is broker to the issue.

COMMENT It is rare in the stores sector, or even in the stock market, to

Son, and Walker, Crips, Weddle, Beck. Trading will begin next Tuesday. Its shares have traded under Rule

Mr Iain Alexander, who will take over as

chairman, says the bulk of the £1.51m

Emerald intends to raise will be

used to develop US oil and gas assets acquired from Mr Winton's Cobham Oil

The 46 wells on 4,200 acres of land in

and Gas for £500,000 in shares

find a company with apparently assured and rapid growth, and no financing problems. The only question is whether it is too much of a one-man band. But Mr Kirkham is still young, and seems as committed as ever to running the business. The DFS issue should be a success. Analysts are looking for the p/e to come down to under 18 in the current year which looks

Emerald Energy heads for USM Many of the wells are not in production, but Mr Winton, who takes over as managing director of Emerald,

> ones nearby "will open up significant Emerald's strategy is to take advantage of the recent deregulation of the US natu-ral gas industry and the higher prices which have ensued by seeking additional acquisitions of existing fields whose output can be increased without hig capital

says a combination of deepening

existing wells and drilling 120 new

Conies of the Interim Statement

will be available on 11 November

1993 from the Company Secretary,

Anglian Water Plc. Angling House.

Ambury Road, Hantingdon

Cambridgeshire PE18 6NZ.

up 19.2%

up

Mercury **Asset** expands 42% to £50.4m

By Norma Cohen,

MERCURY Asset Management, the UK's largest fund management company, yesterday reported a 42 per cent rise from £35.5m to £50.4m in pre-tax profits for the six months to September 30

The company, which is 75 per cent owned hy SG Warburg, also raised its interim dividend to 4p per share compared with 3p.

Total funds under management rose 11.7 per cent in the period to £55.5bn, although the increase in net new money, after effects of ris-ing securities prices, was

Mr Hngh Stevenson, chairman, said of that amount roughly £350m was on behalf of the company's retail fund management businesses including private client and

unit trust activities.

A further £500m to £600m is growth in its core UK pension fund institutional fund man-

agement husiness. Operating costs were also np sharply from £45.8m to £56.8m, which partly reflect-ed bigber staff compensation costs, the directors stated.

However, analysts noted that the company's ratio of revenues to funds under management had slipped marginally to 0.37 per cent against

0.38 per cent. This reflected the declining fee scales offered to larger sums under management.

Mr Stevenson said that while the retail businesses were growing more quickly than the institutional side. which had dominated MAM's stable of clients, he believed there was further room for expansion in the UK pension fund market.

MAM had also picked up significant new business manag ing international bond portfolios for US pension fund clients and had gained new Japanese pension fund

Gt Portland Estates declines 4% to £16m

GREAT PORTLAND Estates, which in the summer raised £95m through a rights issue, reported a fall of just over 4 per cent in pre-tax profits for the six months to the end of September.

The group, the sixth larges UK property company, made £16m, down from a previous £16.7m. The dilutive effect of the rights issue and a higher tax charge pushed earnings per share down to 4.3p compared with 5.6p.

Acquisitions to the value of about £65m have been made since the rights issue, including shopping centres in Harlow and Torquay, a Read-ing office building, and retail

In a full year these would add £6m of income, the directors said, adding that most of the leases had at least 15 years to run.

Mr Richard Peskin, chairman, said the purchases reflected the board's policy of expanding and diversifying the company's assets and ensuring "an extended period of secure income". Further acquisitions worth up to £20m were expected soon.

He described the result as "closely comparable" to last year's first half. The interim dividend has been cut from 3.3p to 2.7p and Mr Peskin expects the full-year dividend to be 8p (10p) as forecast in his statement last

The group said that a recent revaluation of 20 per cent of its portfolio, including most of its core property in the City, had shown an increase of 7 per cent since March. However, the group warned that this was not necessarily a reflection of the whole portfolio.

Net rental income edged ahead to £40.13m (£40m). Mr Peskin said that rents remained under pressure, par-ticularly in London, but there had been encouraging signs of a revival in interest. About 5 per cent of the group's portfolio remains void in terms of both rent roll and total area, down from 6 per cent at the

Norcros rises 32% to £7.36m

NORCROS, the huilding materials and specialist print and packaging group, yester-day reported higher interim profits mainly reflecting sharply reduced reorganisation costs and a modest recovery in trading conditions.

Pre-tax profits increased by 32.1 per cent to £7.36m for the 27 weeks to September 30, up from a restated £5.56m in the 6-week first half last year.

Earnings per share increased to 2.8p (2.4p) and the interim dividend is maintained at 3.5p. Operating profits, including contributions from associates, rose to £12.56m (£9.01m) on turnover up by 9.57 per cent to

£209.5m (£191.2m.) The results have been pre-pared on an FRS 3 basis, and comparisons have been restated accordingly. The main impact of this change was to reduce operating profits in the comparable period by the £2.65m reorganisation and redundancy costs previously

shown as extraordinary Items. Turnover from continuing operations increased by 9.58 per cent to £208.1m (£189.9m) while operating profits were £12.1m (£8.7m).

Pre-tax profits were also boosted by a reduction in net interest costs from £6.92m to £5.2m reflecting lower interest rates and a reduced level of borrowings following the group's successful rights issue in June. Net borrowings at the end of September stood at £76.4m representing gearing of 44 per cent.

In the core buildings prod-ucts division turnover increased by 4.7 per cent to £83.2m while operating profits grew by 22.8 per cent to £3.9m mainly reflecting the lower reorganisation costs.

In the ceramics division turnover rose by 15.4 per cent to £63.8m and operating profits jumped 44.4 per cent to £4.6m. Meanwhile the print and pack-aging division increased its turnover by 10.4 per cent to £51.9m and operating profits by 33.3 per cent to £5.2m.

The group has also made further progress disposing of its property assets. During the first half £5.2m was received from the sale of properties and, of the £40.8m balance at the half year, £17.2m of assets were

Intl Food shares dive 19p on warning

SHARES of International Food Machinery dived 19p to 35p yesterday as the company warned that profits for the year to December 31 were likely to be "snhstantially below" market estimates. The reasons given were:

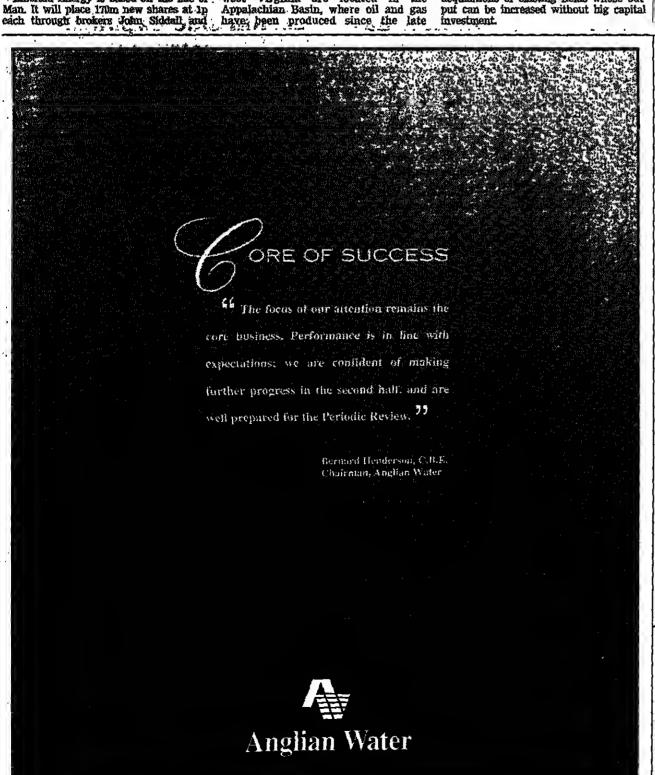
 The company has adopted a more stringent accounting policy for the recognition of sales;

Two major contracts are unlikely to be completed prior to December 31;

• There has been a recent downturn in business in the UK and Europe which has particularly affected the meat and bakery division: Various exceptional

expenses incurred in the reorganisation of the group and promotional expenditure in mpening up overseas markets have been written off. The company came to mar-

ket in December 1992 with the shares priced at 51p. In September, when it reported a surge in pre-tax profits from £292,000 to £878,000 for the first six months of 1993, the shares rose by 9p to



£341.4m

32.2p

7.3p per share

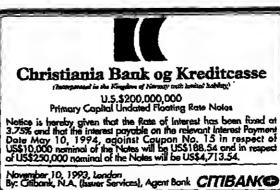
Profit before tax

Earnings per share

Interim Dividend



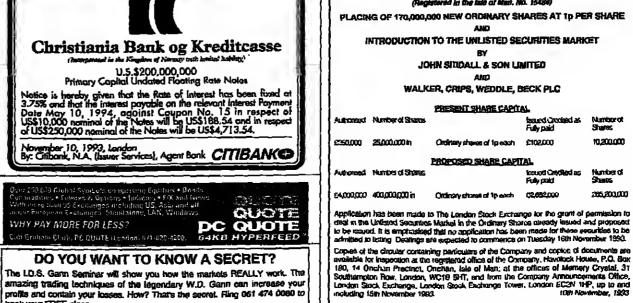




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Emerald Energy Limited

EC set-aside policy not working say landowners

THE European Community's policy of setting aside arable land to reduce cereal production is not working in many member states and is unfairly penalising countries like the UK, representatives of

Britain's landowners said yes-The Country Landowners' Association (CLA) cited European Commission figures obtained from the Ministry of Agriculture showing that the EC grain harvest this year had fallen by just 1.1 per cent, even though the 1992 Common Agricultural Policy reforms required arable farmers to

leave 15 per cent of their land idle each year to cut produc-"These figures show there's

A Commission official said latest estimates from EC grain producers showed the overall harvest down 1.4 per cent, with several countries showing an increase in production. He

admitted: "It's a mess." The variations across the EC are huge. The UK cereal crop fell 11 per cent this year, while Irish output was down 16 per cent and French production fell by 8 per cent. But output was up 22 per cent in both Den-

mark and Spain, and German

production rose nearly 3 per cent The CLA said some of the variations could be explained by the fact that states like Denmark suffered very poor cereal yields last year. But the main

problem was the exemption

"We'd like to see the [Euro-pean] Council [of Ministers] seriously considering reducing the 92-tonne limit so that the burden of set-aside would be shared more equally," Mr Dunn said. "The UK has a

large proportion of large farms and its efficiency in farm structure is working against it." The Commission argues that the exemption for small farmers is essential to prevent them

from being driven off the land by falling incomes. Although Britain opposed the exemption at the time of the reforms, a senior official said yesterday that it was part

of the deal and had to be He said the effectiveness of set-aside would be more fairly

judged by taking an average of

rather than by comparing just two consecutive harvests. The first year of the five-year rotational set-aside scheme was expected to have less

effect than subsequent years, since farmers initially leave their worst land fallow. The CLA said it was studying alternatives to the set-eside policy, which would move the

farming industry towards a free market One idea it is pursuing is the "Tangermann bond", a lump sum payment that would mark the end of price support. Exist-ing farmers would be entitled to receive the payment in the form of an annual allowance to lement their income for a certain number of years. After-

natively, they could sell it to

other farmers if they wished to

Lumber prices back on increase

AFTER a brief summer lull, North American lumber prices have again begun to soar, with strict timber cutting limitations in US and Canadian pacific forests promising to collide with rising demand in the US home building sector.

Traders and timber interests expected the Clinton administration to find solutions to the forest impasse this year. However, there now appears to be only a slim chance there will be any easing in US timber cut-

ting restrictions. Meanwhile, demand for lum ber for homebuilding is rising. Historically low interest rates inspired a 21 per cent jump in new home sales in the US in September, with housing starts

also climbing.

that demand, and an unusually

strong fall construction season

has left lumber wholesalers

US builders are completing new homes at a rate of 1.162m units a year, up from 1.128m a year ago. Rebuilding after the Midwest floods has added to

has been a 30 per cent rise in western wood prices since August, with some analysts

forecasting rallies as dramatic as the panic-driven surge that sent Chicago futures to a peak of \$493.50 last March The January futures contract

short on inventory. The result 2 x 4s are also rising, although caution that prices for wood from alternative sources have

so far they have stayed below the spring high of \$475. However, lumber analysts

already inflated, leaving little

Prices for construction dimen-

slack in the cash markets.

Monday, and is nearly \$100 March high of \$435.

above its high for all of 1992. Mr Laurie Cates of the contract of the contrac

Malawi and Zimbabwe

depend most heavily on

Malawi's tobacco exports last year accounted for 59 per cent

of total exports and contrib-

uted 16.7 per cent of gross

domestic product. The loss of 10 per cent of projected tobacco

export earnings in 1995 would

be equivalent to 6 per cent of

the aid it received in 1991, the

For Zimbabwe, the potential

loss of \$41m in foreign

exchange would represent the

equivalent of 25.7 per cent of its 1992 balance of payments

deficit, and more than half the

country'e spending on social

Pointing to the WHO's objec-

tive of a fall of more than 10

per cent in smoking in at least 20 per cent of its member

states by 1996, compared with 1988, the report attacks what

security and welfare.

renort savs.

tobacco for foreign exchange

tight inventory situation," she Last spring's lumber raily added about \$5,000 to the cost of building an average home in the US, and builders are already building in the lumber

mark-up in their new home

ment through foreign

exchange earnings from

tobacco, all the countries pro-

filed in the present study and

many other would . . become

more dependent on the lar-

gesse of the aid donor commu-

Last year the association

there were no sustainable.

alternative crops that would

achieve the same level of earn-

ings for most tobacco farmers.

Administration in London said

yesterday it was looking at

ways of helping developing

countries find sustainable

alternatives to tobacco. Since

1991, ODA policy has been to refuse to fund or support pro-

Tobacco Trade or Aid? ITGA,

PO Box 125, Forest Row, East

Sussex RH13 5FA, England.

jects in the tobacco sector.

The Overseas Development

published a report arguing that

nity," it says.

Reporter, said Canadian wood stocks, always viewed as a lim-

itless back-up to US forest out-

put, are nowadays less available because of provincial restrictions on timber cutting

in environmentally sensitive

areas. Mr Cater and other ana-

lysts say the recent rise in

lumber futures prices has been

However, the supply and

demand imbalance is real. Ms

products analyst at Dean Wit-

ter Reynolds, said total lumber

supply in the US would be

down 4 per cent this year,

including a 2 per cent decline

in lumber imports from Can-ada. Meanwhile, she said, US

demand for lumber would rise

"Obviously we have a very

from 5 per cent to 7 per cent.

Evadna Lynn, senior forest it

exaggerated by speculation.

3.4,..

38.5

1.12/1

Taring Make

= 1

something seriously wrong from set-aside of small farmers three to four years' post-reform leave the industry, the CLA with the policy," said Mr producing less than 92 tonnes production compared with a

A little help from their friends enezuela has announced a \$45.8bn investment programme for its petroleum industry over the next

10 years that stresses a substantial increase in crude oil production capacity and the upgrading of oil refineries to produce higher-quality products. The plan, which was announced by Mr Gustavo Roosen, president of national oil company Patroleos de Venezuela SA

(PDVSA), assigns a key role to foreign investment in Venezuela's oil and gas sec-

tors for the first time since the country nationalised all private oil companies in Of the \$48.5bn in projected capital spending, PDVSA plans to invest \$29.1bn or 60 per cent of the total directly, while private companies - mainly foreign investors are expected to supply the remainder of about \$19.4bn. Groups such as Royal Dutch/Shell, Exxon, Conoco, Mitsubishi and Total are already planning large jointventure projects with PDVSA in natural gas and heavy oil. And the Venezuelan oil company is actively seeking new partners

for a variety of other projects in oil exploration and production, refining, petrochemicals and coal. PDVSA ranks as one of the world's big-

gest oil companies; at the 1992 year-end It had 63.3bn barrels of crude oil reserves. the largest outside the Middle East. One of the main thrusts of the company's investment programme is to develop crude oil production potential of 4m bar-

rels per day (b/d) by 2002, up 1.1m b/d from

the current capacity of approximately 2.9m

International investors are becoming

involved in PDVSA's plans through oper-

ating agreements, production sharing and

New exploration work will be carried out in traditional oil production zones and other areas, and PDVSA's goal is to raise proved reserves of crude oil to 65bn barrels over the next decade, up 3 per cent Venezuela is using foreign investment to

develop the nation's petroleum industry, writes Joseph Mann

Under operating agreements, private companies invest to develop production of crude oil and natural gas in so-called "marginal fields", or areas with relatively small volumes of production that PDVSA does not wish to operate directly. Investors do not own the oil and gas they produce but are compensated according to production volume.

The first operating agreements were signed in 1992, and earlier this year British Petroleum agreed to invest around \$60m over the next three years in a marginal oil field under a 20-year operating agreement. Using a BP study, PDVSA has also identified sectors in eastern Venezuela with strong prospects for large discoveries of

light and medium-weight crudes, which Venezuela needs to balance out its existing reserves, now dominated by heavy Next year, PDVSA plans to look for international partners who will assume all the risks to develop these zones. If commercial quantities of oil are discovered,

PDVSA will share future production with the foreign partner. Last August, PDVSA received congres-sional approval to move ahead with two multi-billion dollar projects to produce and upgrade heavy oil. Conoco, Total, Itochu and Marubeni are the international partners. The investors plan to produce heavy and extra-heavy crude from Venezuela's Orinoco Belt (a large reserve of heavy oil), and use delayed coking to convert it into lighter-weight, higher-value crude for export. In addition, PDVSA, Shell, Exxon

and Mitsubishi are developing a \$5.6m project to produce liquefied natural gas (LNG) for export. In refining, PDVSA will complete

upgrading projects at three of its home refineries and raise crude processing capacity at these plants and Curacao where it leases a former Shell refinery from the government - from the current level of 1.1m bid to 1.2m bid by 2002. That increase will be quite small in volume terms but the company is investing heavily to upgrade and modernise the refineries so that they can turn out high-quality, increased-value refined products. meeting tougher environmental standards

in the US and other markets. PDVSA, which already owns, either wholly or jointly, large oil refining operations in the US and Europe, plans to expand its overseas network through the acquisition of new refining capacity. The company would not comment on its acquisition plans, but executives said future marketing efforts would focus on Latin America and Asia, as well as on expanding

market share in the Caribbean. n developing their 10-year programme PDVSA planners are assuming 2 per cent annual growth in world energy demand during 1992-2002, with projected demand for hydrocarbons reaching 76m b/ d by 2002, up from consumption of 66m b/d

in 1990. They also assume that potential demand for Venezuelan crude oil on international markets will rise to around 3.6m b/d in 2002, and to 4.5m b/d in 2010. Home demand for refined oil products is expected to grow at 2 per cent a year.

Venezuela's crude oil production last year averaged 2.83m b/d, while exports of crude and refined products averaged 2.1m b/d, with crude accounting for 1.43m b/d of

in the US and Europe.

10.85 10.32

11,28 10,83

High/Low

E/lanne

No.7 RAW SUGAR - LCE

10.33

10.82

Close

COCOA - LCE

11,32

wer 375 (5) lots of 50 tonnets.

Oil hits post-Gulf war low

By Robert Corzine

OIL PRICES hit a new post-Gulf war low of \$16.40 a barrel for Brent Blend yester day. The price later recovered to \$16.55 in late London trading, but analysts saw little scope for any early sustained

News agency reports said ministers from the Organisa tion of Petroleum Exporting Countries had begun telephone contacts on ways of shoring up

A Reuters report said those included a possible appeal to non-Opec countries to reduce their output as well as the possibility of a cut in the Opec production ceiling of 24.52m

barrels a day, Analysts noted, however, that any reduction in non-Opec production would have to include significant cuts in North Sea output, which is expected to surge by as much as 700,000 barrels a day by next month compared with

of very low oil prices.

There is no chance that the tonne, in warehouse, 1590-1640 UK government would go along with any cuts," said Dr Leonidas Drollas, chief econo-(1.560-1.625). mist at the London-based Centre for Global Energy Studies. "And I doubt that Norway would do it again," he added, in a reference to Oslo's deciper Ib. in warehouse, 0.38-0.42

WHO smoking target attacked from a fall in export volumes it calls "a new imperialism". of more than 59,000 tonnes. "Denied the dignity of contributing to their own develop-

A 10 per cent reduction in smoking, urged by the World Health Organisation, would lead many tobacco-producing countries in the developing world to rely more heavily on international sid, according to a report published yesterday.
The report, entitled Tobacco
Trade or Aid?, by the International Tobacco Growers' Association, examines the impact of a hypothetical fall in demand

countries. The alsociation promotes the interests of tobacco-growing organisations around the world, including those from the US and Canada as well as Latin America and Africa. It concludes that the six

of 10 per cent by 1995 on the

mias of six developing

countries – Brazil, Bulgaria, Kenya, Malawi, Tanzania and Zimbabwe - would suffer a collective loss of nearly \$120m

week's in brackets),

Prices from Metal Bulletin (last

ANTIMONY: European free

market 99.6 per cent, \$ per

COBALT: MB free market,

99.8 per cent, \$ per lb, in ware-

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in ware-house, 2.30-2.50 (same). CADMIUM: European free market, min. 995 per cent, \$

MINOR METALS PRICES

48,675 to 2,919,876 -5,100 to 800,576 -400 to 289,150 -78 to 119,280 46,400 to 843,876 -230 to 19,936 house, 11.15-11.70 (11.40-12.00); 99.3 per cent, \$ per lh, in ware-house, 10.30-10.80 (10.65-11.10). MERCURY: European free

market, min. 99.99 per cent. \$

per 76 lb flask, in warehouse,

MOLYBDENUM: European

free market, drummed molybdic oxide. 3 per lb Mo, in warehouse, 2.55-2.65 (same). SELENIUM: European free

market, min 99.5 per cent, \$ per

Ib, in warehouse, 4.45-5.25

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 27-39 (same).
VANADIUM: European free market, min. 98 per cent. \$ a lb V₂O₅, cif, 1.35-1.45 (same). URANIUM: Nuexco value, \$

per 1b, U,O,, 6.90 (same).

A large share of the country's crude oil sion in the 1980s to close some exports is processed at PDVSA refineries production facilities at a time

WORLD COMMODITIES PRICES

from the current level.

strategic associations.

MARKET REPORT TIN prices collapsed on the London Metal Exchange yesterday afternoon when the market broke below the \$4,700 a tonne floor of the current \$200 technical range, dealers said. Sell stops pushed tin to a low of \$4,640 a tonne before some bargain-hunting trade buying emerged after hours Three-month tin closed \$168 a tonne down at \$4,649.50. NICKEL capitalised on the recent has resulted in less selling pressure when the market moves up. However, dealers suggest the

market remaine oversupplied and is still in need of further production London Markets

SPOT MARKETS		
Crude oil (per berret FOB)(De	ic)	+ OF ·
Dubal	\$14.05-4.104	
Srent Blend (dated)	\$15.16-5.19	
Brent Blend (Dec)	\$15.50-5.54	
(12.8 mg r) LT.W	\$16,64-6 070	-0.155
Oil products	CIE	+ 01 -
(NWE prompt delivery per to		
Premium Gasolina	\$174-177	
Gas Of	\$166-169 \$64-86	-1
Heavy Fuel Of	\$148-151	.,
Naphtha Petroleum Argus Estimates	21-0-131	
Other .		+ 07 -
Gold (per troy oz)\$	\$375.80	-0.05
Silver (per troy 42)4	452.50c \$378.10	+0.85
Platenum (per troy oz)	\$128.90	+0.15
Palladium (per troy oz)		+4.15
Copper (US Producer)	80.0c	
Lead (US Producer)	33.88c	
Tin #Kunda Lumpur marked	Unq 221,50c	
Tin (New York) Zinc (US Prime Western)	Unq	
	_ <u>-</u> -	
Cattle filve weight?	118.23	2.50
Sheeb (see med) dis-	80,48p	+1.18
Pige (live weight):	69,23p	+0.21
London daily sugar (raw)	\$268.0	-2.9
London daily sugar (white)	\$297.5	-1,0
Tota and Lyle export price	\$293.0	-1.5
Barley (English feed)	£108.5t	
Malas (US No. 3 yellow)	£120.5	
Wheel (US Dark Northern)	£175.0	
Flubbir (Dec)	61,00p	
Rubber (Jan)	61.25p	
Pumber (K), RSS No 1 JUS	207.0m	
Coconut oil (Philippines)9	\$442.5v	
Palm Oil (Malaysian)	\$347.5u	
Copra (Philippines)§	\$295.0	
Soyabeans (US)	€107.5w	-20
Cotton "A" Index	53.95a	-0.20
Workops (64s Super)	363p	

cuts. Yesterday's advance petered out near the \$4,800 a tonne level once more and three-month prices finished at \$4,757.50, up \$30. SILVER after a relatively strong performance on the New York Commodity Exchange on Monday closed in London last night 40 cents up at \$4.525 an ounce. London SUGAR fell sharply vesterday afternoon in hectic New York-led fund liquidation. Both white and raw sugar lost ground, but by late afternoon in London the markets had steadled and

	recove	nac stea ered.	died and	May	947	940 940	946 941 949 944	
Cor	mpiled :	from Re	uters	Turnow	F 5922 (2	396)tota of		~ ~
	Oft IP		\$/bare	for Nov	0 894,41		day sverage for	
	Lahes			911.64	(915.29)			
Dec	15.68		15,74 15.39	-				_
kan	15.97		16.03 15.69	COTT	E-res			\$/ku
Seb Car	16.21		16.21 15.90		Close	Previous	High/Low	
Aug .	15.36	18.15	16.36 18.03	-	1010		4014 1400	_
/br	16.50		16.50 18.21	Nov Jan	1213	1211 1228	1214 1192 1232 1210	
len	16.60		16.60	Mar	1209	1208	1210 1199	
lui .	16.70		16.70	May	1187	1202	1200 1192	
lug PE Indo	16. 80 nx 15.73		16.60	Jul	1197	1196	1195	
PE NICK	IX 13.73	10.24		- Sec	1197	1196	1197	
	r 39614 (4) L – graf	9900)	\$/lexus	Comp.	lessor price	122) lots of es (US centr 11 (88.95) 1	5 tonnes per pound) for 5 day average	No.
	Close	Previous	High/Low	(89.18)				
lov	165,00	163,00 161,75	165.25 101,25 162.25 159.50	POTAT	O165 LC	=	•	() Non
Dec lan	181,00	180.75	161.25 199.00		Close	Previous	High/Low	
eb	160.50	160,25	160.50 158.25				<u> </u>	
Aur	159.75	159,50	169.75 158.00	Apr	85.9	84.5	88.0 85.0	
\pr	158,50	158,50	168.50 157.00	May	101.3	99.2	103.0 101.0	
kay kun kul	158.00 157.75 158.00	158.00 157.50 159.75	158.00 157,00 157.00 169.00	Turnova	101 (90)	lots of 20	tonnes.	
umovii	28009 (20	0083) lots of	100 tonnes	FREQUE	IT - LCE		\$10/ind#	k po
UGAR	- LCE		(S per lonne	·	C206e	Previous	High/Low	_
Yhite	Close	Previous	High/Low	Nov	1350		1330 1327	
	070.00	286.80	288.20 278.50	- Dec	1341		1338 1333	
Nac Aar	279.20 274.10	283.20	284.00 273.10	Jan	1336	4045	1335	
Azy 4zy	276.30	284.80	283.30 275.60	Apr	1346	1347	1350	
lug Va	280.80	288.10	280.80	Jul	1206		1210 1208	
wg Xet	289,80	27B.10	278,50 288,80	BFI	1322	1010		
jec va	270.20	Era.iv	278.50	Turnove	r 53 (2)			
umover lec 162	4959 (32) 0.32 Mar 1	57) Paris- W 1628.74	hita (FFr per torne):	CRANC	1-1.CE			/lon
COTT				Wheat	Close	Previous	HgtvLaw	
				Jen	86.20	98.95	99.25 98.00	,
				Mar	161.20	101.00	101,30 100,80	9
Livery	pool-Spot	and shipmed	et sales amounted .	May	103.10	102.95	103.25 103.00	J
to 31	actines for	THE WHOLE O	nded 5 November evigus week. Bub-	Sep	81.40		91.AG	-
duad	officiales dis	d not bring	meny operations.	Barley	Close	Previous	High/Low	_
SUPP	n eus iu	the Turkish	1200.	-	100.05	460 45	100.08.100.00	_
- And		, ,		Jan Mer	103.20 105.05	103.15 105.18	103,25 103,00 105,05	U
				ME		145,15	- WO.NO	_

896 935 945 945 947 951 934 964 960 960 944 JTIN9

ver: Wheat 212 (131) Barley 19 (11)

	Close		Provid	DLIIB	High/Law		AM Official	Kents of	06e Ö	pen Interest
Akaminkan,				_				Total d	ally turnov	er 47,318 kd
Cesti 3 months	1080.6-1		1040	1 8-20	1082		1031.5-2.5 1052-2.5	1001		10 AFT 1-1-
Copper, Gn	1051.5-2			-	100//1048		1,004,47.9	1053-3.		19,467 lots or 32,170 lot
Cesti	1037-8	JOF WA	_	5-3.5	1648/1847	,	647-8	TOUR C	my United	0 32,170 KG
3 months	1660.5-1	.0	1686		1974/1060		1070-1	1603-8.	5 16	4,002 lots
Lead (5 per	torms)							Total	daily tumo	wer 8,632 lot
Cash	396.5-0.0		393-4		4705		99.5-4.D			
months	413-4		407.5	-8.0	4810/4840		410-0.5	4985-8		491 John
Mickel (\$ pe					4000114	_		Total	amy tumo	ver 11,561lot
Smonths	4725-30 4786-90		4700- 4756-		4880/4670 4786/4710		1670-8 1740-8	4775-80	48	,267 into
Tio (\$ per to										ver 3,590 lot
Coeft	4597-002		4760-		4705		707-10			
months.	4649-60		4815-		4810/4840	4	7750-60	4505-8		LBS4 fotu
Zinc, Specia		_		_				Total d	ally turnov	er 16,410 lot
Cash 3 months	929.5-30	.5	946-7		928 961/943	5	126-6.5 126-8	946-7	01	,902 lots
ME Close		-					-			-
SPOT: 1.466			3 mags	tha: 1,46	09	6	months: 1.4	557	· 9 n	nonther, 1.4500
ME AM OF	Bolel E/S	spot 1	min 1.4	735						
		_			<u> </u>				· '.	
LONDON B Prices supp				k/B		Ne	Y WE	ork		
Gold (troy o			_	equive					<u> </u>	•
			_	- educate		GOL	D 100 troy	02.; \$/20y a	4	
Xose Xosning	375.40 376.20						Close	Previous	High/Los	
doming to:	376.36	,		254.807		Nov	376.0	874,8	0	0
Sternoon for Day's high	376.00 376.90	1		54,881		Dec Jen	376.6 377.0	376.6 376.5	378.4	374.7
ay's low	\$74.00					Feb	378.8	377.5	360.6	376.1
oco Ldn N	Regel Gol	d Len	ding A	when (V)	USS	Apr Jen Aug	380.4	379.3 381.1	362.3	379.3 381.4
month	2.7		в топ		2.71	Aug	384.0 385.9	382.9 . 364.6	385.0	383.6
months	27	70	12 mg		2.74	Oct	387.9	386.8	386.5	367.0
months	2.7	_				_	THUM 50 to	ray az: \$/tra	/ GZ	
Over fix	D _s goλ			JS chare	quir	_	Close	Previous	High/Lov	
pet	307.25			64.25		Nov	563.0	363.0	6	378.1
months	\$11.76 315.15			157.75 151.35 ·		Jan	379.5	078.1	381,0 '	380.5
2 months	323.05			70.00		Apr Jul	380.9 581.7	379,6	382.5	381,5 0
						Oct	383.2	382.1	0	•
OFD COM	es					SELV	57 5,000 in	oy oz, cente	Troy car.	
	S pri	Cé		£ aquive	decit	_	Close	Previous	High/Los	
rugemend		00-36		258.00-2	259.00	Nov	451.8	448.9	451.0	451.0
ispie jou! iau Soversi		45-300 0-90.0		58.00-61	.00	Dec Jen	452.5 463.9	440.5	458.0	449.5
- 3014-	gii 07.22	-		90000		Mer	457.1	454.1	402.0	453.5
RADED O	-	_	_			May	463.2	457.2 450.3	484.5	457.6 454.6
			india .			Sep	406.3	483.4	455.0	458.0
grainfine (· ·	Dec	471.1	488.3 489.4 .	475.0 0	469,0
trike price		Dec	Mer	Dec	Mar	Mar	476.8	473.5	479.0	0 479.0
026 060		37 23	B1	10 26	19	_		OFFER 24.0		
076		13	46 34	41	29 41		Close	President	Hightle	
opper (Gra	de A)		-		- Isla	Nov	74.50	74.00	74.00	74.50
B25		<u> </u>		23	35	Dec	74.75	75.10	78.50	74.55
850		38	74	34	44	Jan Feb	74.85 75.20	75.25 76.45	75.00 75.20	75.00 75.10
675		28	61	48	86	Mar	75.40	75.65	78.05	75.10 75.20
		_				Apr	75.65 75.90	75.90	0	0
offee LCE		Jan	Mar	Jan	Mer	Jan	75.90 76.10	76.10 76.40	76.50 Q	75.90 0
160		101	118	22	56	Jul	75.45	76.65	77.10	76.85
200		68	92	40	65	Aug	76.70	76.90	0	0
250		45	71	86	112	CRU	DE OUT (TIĞ	MQ 42,000 U	S gade \$/b	ere
SCOR LCE		Dec	Mer	Dec	Mar		Latest	Previous	High/Lax	,
75		39	97	A	25	Dec	16.67	16.71	16.96	16.50
00 25		22	81	12	34	Jan Kab	16,93 17,15	.18.94 17.14	17.20	16.77
20		10	65 ·	25	44 .	Peb Mar	17.16	17.14 17 .2 0	17.40 17.57	17,02 17,23 ·
hant Card		Da i	- Ic-	0	<u></u>	Apr	17.46	17.43	17.68	17.39 ·
Frent Crude		Dec	Jen	Dec	Jen	May Jun	17.87 17.77	17.56 17.69	17.83 17.97	17.55 17.65
900 850		3	40	•.	95	.ftz	17.91	17.80	18.07	17,66 17,78
850 700		:	24 15	•	85 -	Aug	18.20	17.91	18.20	17.80
		-		-	-	Sep	18.14	18.02	18.32	18.00
										٠.
							۸.			

AM Official											_			
			Metal Tracing	HEAT	_	2,000 US ga		Sales	Ch	icag	0			•
			ver 47,318 lots		Laburt	Previous	High/Low		SOYA	BEANS 5,0	000 bu mins o	ents/60th but	itrel	_
1031.5-2.5			40 457 1	Dec Jan	50.60	50.70	51.06	50.10		Close	Provious.	High/Low		_
1052-2.5	1053-3.5 Yotal da		49,467 lots ver 32,170 lots	Feb	01.36 51.80	01.52 61.62	01.80 62.30	50.90 51.40	Nov	830/4	631/2	634/0	629/4	_
1647-8	1000	of China	- 02,170 Kd	Mar	51.60	01.62	62.00	01.25	Jen	639/0	639/4	649/0	638/0	
1070-1	1603-8.6	1	94,002 lots	Apr	61.05	51.02	51.46	50.96	May	645/0 648/0	646/0 649/6	649/2	644/2	
	Total c	bily tunk	over 8,632 lots	May Jen	50.45° 50.25	50.42 50.12	50.80	50.25 49.90	Jul	650/B	692/B	855/4	650/2	
399.5-4.0	Appen in		ADA NOTO	Jul	50.50	50.32	50.50	50.10	Sop	649/0 636/0	636/4	653/6 840/D	649/0	
410-0.5	4965-8 Total d		4,491)ots	Aug	01.35	50,87	\$1.35	51.35	Nov	625/2	627/2	629/0	624/4	
4670-8	1004	y turk	WW 11,0011008	Sep	52,40	61.62	52.40 .	62.35	SOYA	BEAN OIL	60,000 Bys; c	ente/fb		_
4740-5	4775-80		6,267 iota	0000	A 10 tons	est/lorne			-	Close	Previous	High/Low		_
	Total d	ay turn	wer 3,590 kots		Close	Previous	High/Low	•	Dec	23.61	23,42	23,68	23.47	_
4707-10 4760-83	4605-8	. 13	1,864 fotu	Dec	1082	1090	1107	1070	Jan	23.69	23.52	23.74	23.54	
			rer 16,410 lota	Mar	1145	1139	1155	1128	Mar	23.95	23.70 23.78	23,92 24,00	23.70 23.78	
926-6.5				May	1161	1156	1170	1160	Jul	23.00	23.82	24,04	23.90	
900-8	940-7	0	,902 lots	Jul Sep	1173	11 67 1177	1180	1160 1167	Aug Sep	23.60 23.65	23.70 23.68	23.95	23.75	
6 avontha: 1.	4557		nonthe; 1.4503	Dec	1197	1100	1208	1100 .	Oct	23.30	23,23	23.75 23.36	23,65	
				Mar	1210	1204	1220	1203	SOYAL		LL 100 tone;			
		$\gamma = \mu$		May	1281	1225 1281	1225	1225 .		Close	Previous			_
ew Y	ork			Sep	1262	1250	0	0	Dec	200.7	202 1	High/Low		_
				COFFE	£ 'C' 37	,500lbs; cent	a/lbe		Jen	198.4	199.4	202.9 200.5	200.6 198.3	
LD 100 troy	OZ.; \$/koy OZ				_				Mer	197,7	198.1	199.5	197.6	
Close	Previous	High/Lo	w .		Close '	Previous	High/Low		May	197.7	198.4 199.0	199,5 200,0	197,5	
378.0	874,8	0	0	Dec	75.75	75.45	79.60	74.70	Aug	196.0	198.0	100,0	198,1 197,7	
376.6 377.0	376.6 376.5	378.4 0	374.7	May	78.40 79.90	78.30 ' ' 79.70	79.60 80.75	77.50	Sep	197.3	197,5	198.5	197.0	
378.6	377.5	360.6	375.1	del	01.45	01.85	B2.00	79.40 81.50			196.3	196,6	196.5	_
380.4	379.3 381.1	362.3	379.3 381.4	Sep	82.85	82.80	82.50	62.60	-042		min; cents/6	No buenel		_
384.0	382.9	385.0	:383.6	Mer	85.25	85.00	85.00	85.00		Close	Previous	High/Low		
385.9 387.9	354.6	320.5	387,0		87.00	67.50		<u> </u>	Dec Mar	201/4	260/6	262/2	259/8	
	troy oz; \$/troy			SUGAL	WORLD	117 112,00	O lbs; cants	/bs	May	272/4	272/4	269/6 273/4	287/0 271/4	
Close	Previous	High/Lo			Close	Previous .	High/Low		Jul Sep	273/6	273/6	274/8 .	273/2	
	363.0	6	378.1	Mer	10.02	10.63	10.60	10,00	Dec	255/4	265/6 255/6	264/0 256/2	262/6	
379.5	078.1	381,0	380.5	May	10.25	16.75	16.75	10.20	Mar	262/2	282/2	262/4	200/6	
380.9 381.7	379,6 380,6	382.5 353.5	381,5 0	Oct.	10.33	10.82	10.80	10.32	WHEA	r 6,000 bu	min; cents/6	Olo-bushel		_
583.2	382.1	0						14,01		Close	Previous	High/Low		_
	roy oz, center			-		ibe; cents/k			Dec	335/6	333/0	339/4	332/4	-
Close	Previous	Hetric		·	Close	Previous -	High/Low		Mar May	395/2 325/2	352/6 323/2	338/0	332/6	7
461.8 452.5	448.9 449.5	451.0 458.0	451.0 449.5	Dec	85.25	56.13	. 56.48 .	56.20	Jul	915/6	316/B	327/4 319/0	323/4	
463.9	450.9	0 .	.0	Mer May	58.48 59.77	58.47 59.70	58,66 59,85	58.35	Sep Deg ·	321/0 329/6	323/0	322/2	321/0	
457.1	454.1 457.2	462.0	458.5 · 457.6	-Jul -	60.70	80.85	60.90	59.66 °	77	315/0	315/0	330/4	326/8	
463.2	460,3	467.0	464.5	Oct	.61.95	61.57	01.85	01.70	LIVE		neo selli 000,	-	<u>-</u>	_
498.3	488.4 488.3	455.0 475.0	458.0	Dec	-62.00	61.75	62.00	01.70		Closs				_
472.2	489.4 .	0	0	. Mer	82.40	62.55	0.	<u>•</u>	Dec		Previous	High/Low		_
476.8	473.5	479.0	479.0	ORAN	E JUICE	15,000 lbs;	centulities		Feb	73.550 74.625	73.125 74.375	73,650 74.696	73.125	
	OFFER 28,00	_			Close	Previous	High/Low		-Apr	76.250	76.060	74.675 76.850	74.200 75.900	
Close	Previous	High/Lo		Nov .	102.85	161,00	102.86	100.65	Jun Aug	72.925 71.575	.72.700	73.025	72,675	
	74.00	74.00	74.50	Jen	106.90	104.55	102.85	100.55 103.55	Oct	71.575 72.100	71.325 71,825	71.700 72.100	71.325	
74.50	7E 4A	75.50	74.55 75.00	Mer	108.65	107.56	108.75	105.60	- Dec	72.900	72.725	73.000	71.825	
74.50 74.75 74.95	75.10 75.25	75.00		May	110.40	109.66	110.70	109.00	LIVEH	OGS 40,00	00 fb; cents/fi	<u> </u>		_
74.75 74.85 75.20	75.25 76.45	75.20	75.10			111.55	0	0		Cices	Previous	High/Low		_
74.75 74.85 75.20 75.40	75.25 76.45 75. 6 5	75.20 76.05	75.20	أفظر	112.40 113.40	149 56								
74.75 74.85 75.20 75.40 75.65 75.90	75.25 76.45 75.05 75.90 76.10	75.20		,kd Sep	113.40	112.55 110.40	0.		Dec					
74.75 74.85 75.20 75.40 76.85 78.90 78.10	75.25 76.45 75.05 75.90 76.10 78.40	75.20 78.05 0 76.50 0	75.20 0 75.90 0	أفظر		112.58 118.40 110.40	0	0	Dec Feb	46,675	47.200	47,425	46,400	_
74.75 74.86 75.20 75.40 75.65 78.90	75.25 76.45 75.05 75.90 76.10	75.20 78.05 0 76.50	75.20 0 75.90	,kd Sep Nov	113.40 111.40	110,40	0	0	Feb Apr	48,675 48,195 47,025	47,200 48,650 47,075	47,425 48,600	48,000	
74.75 74.85 75.20 75.40 75.65 78.90 76.10 76.45 70.70	75.25 76.45 75.05 75.90 78.10 78.40 78.40 78.90	75.20 76.05 0 76.60 0 77.10	75.20 0 75.90 0 76.86	Jul Sep Nov Jan Mar	113.40 111.40 111.40 111.40	11 0,40 11 0,40	0	0	Feb Apr Jun	48,575 48,195 47,025 51,350	47,200 48,650 47,075 01,325	47.425 48.600 47.376 51.575		
74.75 74.85 75.20 75.40 76.85 78.90 76.10 78.46 70.70	75.25 76.45 75.05 75.90 78.10 78.40 78.65 78.90	75.20 78.05 0 76.50 0 77.10 0	75.20 0 75.90 0 75.25	Jul Sep Nov Jun Mar	113.40 111.40 111.40 111.40	110.40 110.40 110.40	0		Feb Apr	48,675 48,195 47,025	47.200 48.650 47.075 01.325 60.625	47,425 48,800 47,376 51,675 50,860	48,000 48,825 51,100 50,450	
74.75 74.95 75.20 75.40 76.85 79.90 76.10 76.45 70.70 IDE ORL (Lig Latess)	75.25 76.45 75.05 75.90 78.10 78.40 78.90 78.90 Physiqua	75.20 78.05 0 76.50 0 77.10 0 gails \$//	75.20 0 75.90 0 76.25 0	Jul Sep Nov Jun Mar	113.40 111.40 111.40 111.40	11 0,40 11 0,40	0		Feb Apr Jun Jul Aug Oct	46,675 48,195 47,025 51,350 50,476 48,200 46,150	47,200 48,650 47,075 01,325 60,625 49,250 45,250	47.425 48.600 47.376 51.575	48,000 48,825 51,100 50,450 49,000	
74.75 74.85 75.20 75.40 76.85 78.90 76.10 78.46 70.70	75.25 76.45 75.05 75.90 78.10 78.40 78.65 78.90	75.20 78.05 0 76.50 0 77.10 0 gails \$// High/Lox	75.20 9 75.90 9 76.25 0	Jul Sep Nov Jun Mar	113.40 111.40 111.40 111.40	110.40 110.40 110.40	0	100	Feb Apr Jun Jul Aug Oct Dec	46.675 48.195 47.025 51.350 50.476 48.200 46.150 48.600	47.200 48.650 47.075 01.325 60.625 49.250 45.260	47.425 48.800 47.375 51.875 50.850 49.325 48.300 46.750	48,000 48,825 51,100 50,450	
74.75 74.75 75.20 75.40 75.50 76.10 76.45 76.70 DE OR (Lig Latest 16.87 16.83 17.15	75.25 76.45 75.45 75.90 76.10 76.40 76.90 10,42,000 US Provious 16.71 18.84 17.14	75.20 78.05 0 76.50 0 77.10 0 6.66 \$7 Highton 16.96 17.40	75.20 0 75.90 0 76.26 0 2000 16.50 16.50	Jul Sep Nov Jun Mar	113.40 111.40 111.40 111.40 TERS (Se	110,40 110,40 110,40 110,40 Nov 8	0 0 0 r 18 1931 =	100	Feb Apr Jun Jul Aug Oct Dec	46.675 48.195 47.025 51.350 50.476 48.200 46.150 48.600	47,200 48,650 47,075 01,325 60,625 49,250 45,250	47.425 48.800 47.375 51.875 50.850 49.325 48.300 46.750	48,000 48,825 51,100 50,450 49,000 46,750	
74.75 74.85 75.20 75.40 75.65 78.70 76.10 76.45 70.70 DE OR. (Lig Letest 16.67 16.87	75.25 76.45 75.05 75.90 76.10 78.40 78.95 78.90 10, 42,000 US Previous 19.71 18.94 17.14 17.20	75.20 78.05 0 76.50 0 77.10 0 gails \$/1 High/Lot 16.96 17.40 17.57	75.20 0 75.90 0 76.35 0 16.50 16.77 17.02	Jul Sep Nov Jun Her	113.40 111.40 111.40 111.40 111.40 111.40 TERS (Sa Nov 0	110,40 110,40 110,40 110,40 Nov 8	0 0 0 1871 1931 = Finite ago	0 0 0 100 9 ago	Feb Apr Jun Jul Aug Oct Dec	46.675 48.195 47.025 51.350 50.476 48.200 46.150 48.600	47.200 48.650 47.075 01.325 60.625 49.250 45.260	47.425 48.800 47.376 51.675 50.850 49.325 48.300 46.750	48,000 48,825 51,100 50,450 49,000 46,750	
74.75 74.95 75.20 75.65 75.90 76.45 76.70 90.65 76.70 90.65 16.87 16.87 16.87 16.87 17.46 17.46 17.46	75.25 75.45 75.05 75.90 78.10 78.40 78.90 76.90 19.71 18.84 17.20 17.43 17.56	75.20 78.05 0 76.50 0 77.10 0 6.66 \$7 Highton 16.96 17.40	75.20 0 75.90 0 76.26 0 2000 16.50 16.50	Jul Sep Nov Jun Her	113.40 111.40 111.40 111.40 111.40 111.40 TERS (Sa Nov 0	110,40 110,40 116,40 16,40 Nov 8	0 0 0 0 1878.4 11 1974 = 1	0 0 0 100 yr ago 1644.1	Feb Apr Jun Jul Aug Oct Dec	48,575 48,195 47,025 51,350 50,476 48,200 45,150 46,600 932,1,658 4	47.200 48.650 87.075 01.825 60.825 49.250 45.260 45.400 10.600 lbs; ci	47.425 48.800 47.376 51.875 50.850 49.325 48.300 46.750 High/Low	48,000 48,825 51,100 50,450 48,000 46,350 0	
74.95 74.95 75.20 75.40 75.55 78.90 76.10 76.45 76.70 10.70 Untered 16.93 17.15 17.46 17.46 17.77	75.25 75.45 75.90 75.90 76.40 76.90 76.90 10,71 18.94 17.14 17.20 17.43 17.43 17.49	75.20 78.05 0 78.50 0 77.10 0 gails \$/1 16.95 17.20 17.40 17.57 17.63 17.63 17.63	75.20 9 75.90 9 76.35 0 16.50 16.77 17.02 17.59 17.59 17.58	Jul Sep Nov Jun Her	113.40 111.40 111.40 111.40 111.46 CSS TERS (Se Nov 0 1013.8	110,40 110,40 110,40 110,40 100,40 Nov 8 1617.9 (Bate: Dec. ;	0 0 0 1878 1981 = mate ago 1878 4 81 1974 = 1	0 0 0 100 100 1644.1 100 97 ago	Feb Apr Jul Aug Oct Dec PORIC Feb Mer	48,575 48,195 47,125 51,350 50,476 48,200 46,150 46,600 GELLESS 4 Close 54,226 53,975	47.200 48.650 57.075 01.325 60.525 49.250 45.260 45.460 0,000 lbs; co	47.425 48.600 47.375 51.575 50.650 49.325 45.300 46.750 High/Low 58.280	48,000 48,825 51,100 50,450 48,000 46,750 0	
74.75 74.95 75.20 75.65 75.90 76.45 76.70 76.45 76.70 76.45 76.70 16.67 16.67 16.67 17.32 17.35	75.25 75.45 75.05 75.90 78.10 78.40 78.90 76.90 19.71 18.84 17.20 17.43 17.56	75.20 78.05 0 76.50 0 77.10 0 9alls \$/ 14ght.or 17.40 17.40 17.57 17.58 17.53	75.20 0 75.90 0 76.55 0 16.50 16.77 17.22 17.23 17.55	Juli Sep Nov Jan Mer Mer	113.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40 111.40	110,40 110,40 110,40 110,40 Nov 8 1617.9 (Base: Dec. 1	0 0 0 0 1878.4 11 1974 = 1	0 0 0 100 yr ago 1644.1	Feb Apr Jun Jul Aug Oct Dec PORIX	48,875 48,195 47,028 51,350 50,476 48,200 45,150 46,600 GELLESS 4 Close 54,226	47.200 48.650 87.075 01.825 60.825 49.250 45.260 45.400 10.600 lbs; ci	47.425 48.800 47.376 51.875 50.850 49.325 48.300 46.750 High/Low	48,000 48,825 51,100 50,450 48,000 46,350 0	



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LONDON STOCK EXCHANGE

US inflation news prompts recovery

By Terry Byland, UK Stock Market Editor

LONDON joined in the general sigh of relief throughout Europe yesterday afternoon when the US Federal bond market rose strongly following heartening news on inflation on the other side of the Atlantic. After another nervous, futures-led session, the FT-SE 100 Index reversed an early fall to end 18.4 up at 3,096.0, the day'e best reading. The December contract on the Footsie cleared 3,100 several times but

could not move above 3,105. Having cleared the first hurdle of the week, the London market is now waiting for the US consumer price index, to be announced today. UK blue chips responded readily towards last night's market close to gains m the US dollar and bond markets, the latter quickly reflected in firmness in British government bonds.

Equities had opened firmly in London, brushing off the setback in Tokyo and prefer-ring to respond to the steadier irend on Wall Street. But an early gain of 14.4 on the Foot-sie was wiped out when a UK securities bouse, apparently turning nervous ahead of the impending statistics from across the Atlantic, sold the December futures contract

After dipping to 3,072.2, minus 5.4, the market rallied

on the US bond market's favourable response to the welcome news that US producer prices had fallen by 0.2 per cant in October, compared with

fears of a 0.2 per cent gain.
The US bond market's worries over inflation provided the basis for last week's shake ont in equities throughout Europe, so London was happy to follow the advance achieved yesterday afternoon across the

eading European bourses. Although market volume

inmoed smartly towards the close, returning a Seaq total of 775.5m shares, compared with Monday's 557.7m, traders warned that the mood remained cautious. The FT-SE Mid 250 Index, still a softer target than the Footsie for hearish strategies, finished 0.9 easier at 3,439.8. On Monday, when the market struggled to resist the

TRADING VOLUME IN MAJOR STOCKS

Votano Chang Day's 000's Price altega

overflow from Friday's self-off, retail, or customer, business

was worth £1.3bm. London traders will be watching overnight for the closing reading on Wall Street, hoping that a strong close on the Dow Average will propel the Footsie through the 8,100

mark today. The dollar's strength encouraged blue chip internationals, with oil issues elanding out

tobacco price war in the US

was marked by a price rise from RJR Nabisco. Its subsid-

iary R.J Reynolds Tobacco

raised cigarette prices to

ally indicate confidence that

the share price is set to rise.

The shares gained 5% to 275%.

recovered 8 to 547p in spite of an announcement that Ulster

Bank, its Belfast-based subsid-

iary, was cutting variable loan rates in the Republic of

Ireland, including mortgages, by 0.5 per cent to 7.75 per cent.

Pharmaceuticals group Fisons was weak in a generally

ation of the company's

announcement that it had

suspended its West Midlands

sales manager following allega-

tions of unethical sales prac-

Analysts said press allega-

tions that some Fisons sales-men had tried to bribe doctors

into prescribing its asthma

drug Tilade had only added to

the problems of a group

already struggling with a weak

product pipeline.
The shares closed 4 off at

143p with some additional pres-

sure said to have come from

the first half of a large bed and

breakfast trade, a deal in

which shares are sold just

before the close of trading and

bought back first thing the

next day in order to establish a

Elsewhere, Glaxo added 6 at

659p, Wellcome rose 8 to 685p

and SmithKline Beecham

rebounded 13% to 409p.
in spite of further falls in the

price of Brent crude, BP's share price lifted 8 to 360p on

heavy turnover of more than

Analysts said UK institu-

tions who had been left

increasingly underweight of

the stock because of persistent US buying had taken the

opportunity of a dip in the price to pick up etock. Shell Transport rose 4 to

724p ahead of third-quarter fig-

ures tomorrow.
The chare price of Pitten-

crieff, the oil and gas group.

tax-loss.

14m shares.

High street bank NatWest

very firmly, and only Zeneca remaining out of favour among the pharmaceuticals. BAT Industries found additional strength from confirmation, in the form of a move by RJ Reynolds, of the US, that ciga-

rette prices are likely to rise.
The scothing of inflation fears also restored faith in prospects for a base rate cut in the UK. Store and consumer shares attracted favourable comment from brokerage houses and regained their poise, while building and con-struction issues returned to

awa mar anage	struction issues returned to
- 3,000 567 -4	centre stage.
2,000 245 41	
1500 1954 -1	Market optimists drew sup-
- £.500 400 +1312	port from evident signs of hed
- 3,000 366 +12	and breakfast activity, where
1,100 415 46/2 343 524 -11	shares are and for the
10 62 -7	shares are sold for tax reasons
10 65 4 201 56 4 317 84 4	with the intention of repur-
317 584 -8	chase in the next session.
763 558 ~ 911 1040 (12	
1,300 192	A rush of such deals yester-
- 1,200 365 45	day suggested that fund man-
374 187 41	
100 \$55 _ 4700 2005 115	agers are confident that the
2,300 1375 +02	stock market shakeout has run
- 1,200 282 42	its course, at least for the time
4,900 115 44	
2,000 184 -2 2,000 511 -4	being. But the near term out-
972 B34 45	look for London is still vulner-
2,400 255 41	able to developments on Wall
473 355 -212	
2,400 1127 +17	Street
1,200 332 -4	
436 STT	
1,500 560 46 1,500 867 -20	Account Dealing Dates
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373 102 4	First Dealings: Nov 1 Nov 15 Nov 29
_ 544 634 -5 1,000 653 11	100.20
1,400 337 45	Option Declarations:
_ 478 224 AZ	Nov 11 Nov 25 Dac 9
2,200 156 +7	Leet Dealings:
403 715 #6 724 814 -11	Nov 12 Nov 26 Dec 10
191 S38 -B	Account Day:
2,000 733 10	Nov 22 Gec 8 Dec 20
million or more are	"New time dealings stay take piece from

Warburg gain reversed

THE RECENT boom in London's financial markets was underlined yesterday by a surge in profits for S.G. Warburg. However, the reaction of investors suggested that confidence in further rises in equity and bond markets may be coming to an end. -

One analyst said: "All markets have gone their way, but this is a cyclical business and Warburg will struggle to maintain momentum." After hitting a high of 890p in the morning. Warburg's share price closed

20 lower on the day at 857p. However, even the more pesto upgrade forecasts after War-burg announced first-half profits of £148.8m, against a market consensus of £185m and a profit of £51.2m last time. Nat-West Securities, which had advised clients to take profits when opportunities presented themselves, has shifted its fullyear forecast to £275m from £248m.

Among the more enthusiastic analysts, Mr Martin Green of Smith New Court said he would be upgrading to above £300m, while Mr Martin Cross of UBS also expected to be

around £300m. Mr Cross said that if firsthalf earnings were annualised, that would indicate an undemanding p/e ratio of 11 times. He added that there were no signs that the present economic conditions, which had done so much for financial markets, were about to end.

Brewery pressures

With Whitbread yesterday going unconditional on its offer for the remainder of the Whitbread Investment Company (WIC), made last month, attention once again focused

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (61).
BRITISH FURDS (1) Trees. 200 I-L 1984,
AMERICANS (2) Lockhood, Lowers.
CANADANS (2) Lockhood, Lowers.
TVS (6st, SLDG BAKTLS (1) SWP, SUSSINESS
SERRYS (2) Dert, Serroc, LOHRES (1) TV, CONTO &
CONSTROL (1) STREET, ELECTRONICS (3)
Eleo, Duta Processing, Peor, Paion, 1986, ACR
(2) Robs-Royce, Smitter stell, ENG GSM (4)
Dictio (Jernesi, Ferner, MS Ind., SEP Incl.
RNY TRUSTS (3) First Pacific, Genesis Chile
RNY TRUSTS (3) Furth Pacific, Genesis Chile
RNY TRUSTS (3) Furth Pacific, Genesis Chile

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on the brewing group's investment intentions. The latest talk in the market suggests that Whitbread has already been in discussions with the brewing groups it holds stakes in with a view to selling back its holdings.

Based on the tracing volume for a selection of Apha sec sounded down. † Indicates an FT-SE 100 Index consider

Such a move would be in line with WIG'e passive role and save Whitbread the trouble of unloading its aubstantial stakes into a weak drinks market, according to dealers. One analyst also suggested that Whitbread was likely to use its talks with the various regional brewers to strengthen existing marketing arrangements and to explore new liaisons.

However, Whitbread is only under pressure to reduce its stakes in two groups - Boddington and Marston - to com-ply with the government's Beer Orders and could yet drip its stakes back into the market per cent stake in Morland would be of great interest to Greene King, which it failed to buy last year and in which it still holds a 29.3 per cent holding. Intriguingly, Greene King raised £15m at the weekend through the PubCo debenture

Share prices in the drinks sector trod water yesterday. Whitbread hardened a penny to 483p, Marston slipped the same amount to 282p, as did Morland to 518p and Boddington to 255p. Greens King steadied at 569p.

Stores brighten Store shares were again a

positive feature in the market as two leading brokers suggested that the sector was in for a bright pre-Christmas run. In hefty research notes, Hoare Govett and NatWest Securities both argue that the pick-up in consumer spending indicated by the most recent consumer spending statistics - will gain momentum into the Christmas shopping period, with upside seen for selected stocks with exposure to the

traditional seasonal upswing. While NatWest has some worries about any dampening effect of the Budget later this month, Hoare Govett is more bullish. Analyst Ms Emma Burdett said: "We believe that the Budget will leave the majority of consumers little worse off and Christmas trading will show a significant improvement on last year."

Both bouses favour King-fisher, up 6 at 646p, Dixons, ahead 2 at 282p, and MFI, 2% forward at 143p. NatWest also likes Argos, up 6% at 345p, while Hoare recommends Sears, ahead 2 at 117p. However, the two brokers believe the upswing to be relatively short-lived and take a much more cautious stance on the sector post the Christmas period.

Food retailers dull

There was further depressing news in the food retail sector as Smith New Court, the stock-



Equity Shares Traded

3.000 W 400 5ep 1993

the market, Smith went further down the negative track than any other broker so far in suggesting that the sector will see virtually nil earnings growth in the 1994-95 financial year. The house, which blamed the recent round of price competition for its move, was previously looking for earnings growth of 7 to 8 per cent. Supermarket stocks steadied

yesterday, although dealere said this was only a temporary halt, with few signs of buying around. Of the leaders, brisk trading saw Argyll Group stay at 257p with 10m dealt, J. Sainsbury added 2% at 368%p in volume of 6.4m, and Tesco slipped 2 to 184p in turnover of 7.1m.

A downgrade from Cazenove on First Leisure was said to be responsible for the shares tumbling 20 to 257p. The broker, which has a policy of not commenting on market rumours, was said to have cut its profit forecast from £38m to £36m. The market range is £38m-641m. Forte again outshone the market for a second session,

with reports of management changes at the Savoy Group possibly responsible. Forte has a majority of shares in the hotel group but a minority of the votes. Forte shares gained 5 at 224p. Savoy held at 790p. Tobacco and insurance conglomerate BAT Industries rose 13 to 491p as the end of the

rose 18 to 454p as the company FINANCIAL TIMES EQUITY INDICES Nov 4 Nov 3

"High "Low 2393 2353 2320 23760 23837 2785 24142 21347 3.96 3.99 3.97 3.89 3.87 4.55 4.52 3.52 4.63 4.65 4.65 4.65 4.70 27.96 25.83 27.95 27.85 27.91 18.80 25.30 18.40 25.12 24.97 25.00 25.52 25.57 18.30 25.14 18.14 25.22 233.3 233.8 231.0 28.68 65.2 249.2 60.0 Ordinary share Ord, div. yeld Earning yid % full P/E radio det P/E radio nit Guid Minna Net 1880 - Ordinary di *Tor 1990, Ordinary share Indiac since compilation; high 2414.2 318961 - low 46. Cold Misses Indiac since compilation high: 794.7 18/2/63- low 45.5 29/10/71 Basile Ordinary share 17/3/65 Gold Mines 12/9/64.

Open	0.00	10.00	11.00	12.00	12.00	14.00	15.00	18.00	High	Len
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ed 245	realists Transports		3,765	30,352 1307.9		579 39.0	29,755 1725.5	29,5 1293		27,433 1119.3
pally B:	ryalas) radoù (ra		:	33,848	36	873 8.6	33,527 532.5	33.2 552	44	31,358 534.9

Location report and latest Store Index Tel. 0891 123901. Cells charged at 38pholingto cheap rate. 48p at all other times

DERIVATIVES markets responded strongly to the good news on US inflation but appeared to be meeting resistance at the close, writes Terry

Byland. Trading volumes remained high and determined selling by one UK house at midsession proved enough to bring out the stop-ioss orders once again.

The official closing reading showed the December contract ou the FT-SE 100 Index at 3,097 for a four-point premium to cash, a sorry outcome against an estimated fair value of 10. Earlier, the contract had moved erratically, touching

where it was virtually in line with the cash market. Volume in the contract rose sharply to

30.800, and attention turned towards individual stock options. At 14,887 contracts, interest in the FT-SE option fell smartly from 23,750.

options with 2,138. Elsewhere, interest was scattered, with Thames Water (1.507) and Rolls-Royce (1.076) busy.

announced it bad agreed to acquire an additional 24.8 per cent working interest in the Patricia gas field in Alberta, Canada, and adjoining assets for C\$6.75m.

wholesalers by 40 cents a pack. Conglomerate Hanson which The share price of FIL the generates much of its profits in diversified manufacturer, the US was belped by a rise in slumped 61 to 280p after the the US stock market and also company warned that fortbby buying of call options, coming profits would be signifderivatives which give inves-tors the right to buy shares at icantly lower. a fixed price and date and usu-

two business days series

A profits warning also hit International Foods, The shares fell 19 to 35p after the company said a downturn in European and UK business and delays in some big contracts meant that profits for this year would be "substantially below market estimates.'

MARKET REPORTERS: Christopher Price, Peter John.

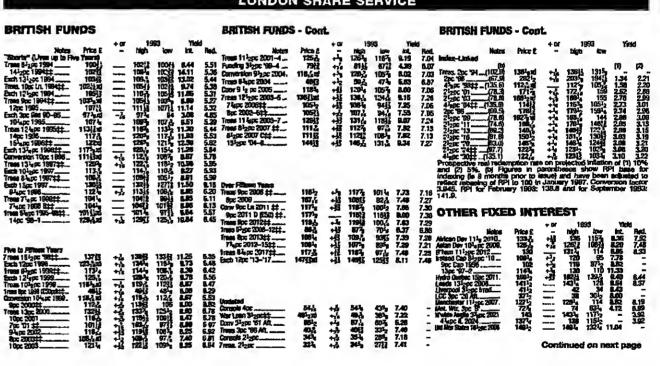
E Other statistics, Page 24

FT-SE 10	00		F	-SE M	(D 25	0		FT-A	ALL-	SHA	RE
3096.0 +1	8.4			3439.8	-0.9			152	8.48	+6.3	4
	Hor	Day's 9 change %	Nor 8	Not 5	Nov 4	Year	Dividend yield %	Earplogs yield %	P/E Ratio	Xd ac	Total Potes
FT-SE 100	3096		3077.6	3065,6	3149.0	2714.8	3.61	5.63	22.06	84.6	8 1728.
FT-SE 186 250	3439		3440.7		3500.4	2593.3	3.53	5.79	21.11	85.7	
FT-SE JEIG 250 ex low Troots	3441				3501.8		3.64	8.18	19.83	87.9	
FT-SE-A 350	1543				1569.6	1310.5	3.75	5.66	21,84	41.3	
FT-SE SmallCap	1773.6				1799.51	-	3.11	3.63	35.78	38.6	
FT-SE SmallCap ex len Treats FT-A ALL-SHAPE	1760.7 1528.4				1783.11 1554.54	1284.89	3.30 3.71	4.25 5.54	33,33 22,39	40.8 40.5	
1 CAPITAL GOODS(215)	1059.2	9 -0.1	1060.21	1064.91	1077.23	785,141	3.06	3.96	33.07	30.36	1257.1
3 Building Materials (28)	1198.5	-	1189.82	1196.63	1209.92	799.38	3.82	2.88	50.58	32.0	
3 Contracting, Construction(25)				1029.65	1047.29	691.36	3.10	1.22	80.001	24.02	
4 Electricals(15)	2936,4	2 -0.9	2964,36	2986.05	2997.32	2112.13	4.61	3.62	34.00	105.80	
5 Bectronics(39)	2258.8		2862.17	2883.18	2938,20	2147,31	3.05	5.81	21 02	86.47	1253.6
6 Engineering-Aerospace(7)	464.5		459.25	458.38	466.50	266.81	311	#	*	12.12	1629.4
7 Engineering-General(49)	528.2		528.95	628.78	829.67	435.AZ	3.47	5.40	22.46	15.39	
E Merals & Matel Forming(9)	471.9		479.25	487.85	481.95	260.65	2.29	#	#	7.84	
9 Material203	455.4		451.30	451.96	452.0T	320.73	4.86	4.03	34,48	19.41	
10 Other Industrials(19)	2055.6	7 -1.0	2075,49	2083.27	2114.53	1816.86	4.82	8.07	19.45	71.65	1072.7
21 CONSUMER GROUP(240)	1665.4		1660.98	1870.41	1703.09	1666.91	3.54	6.77	17,88	40.87	975.1
22 Birmer, and Distillars(28)	1799.1	4 -0.1	1801.31	1834.12	1656.03	1965.56	4.15	8.53	14,18	46.54	883.6
25 Food Manufacturing(24)	1325.1		1322.53	1322.58	1344.45	1278.64	3.87	7.22	16.39	34.68	1038.7
36 Food Retalling(17)	2327.9		2328.57	2344.52	2386.15	2908.54	4.08	11.17	11,12	81.00	733.1
7 Health & Household(31)	3587.7	-	3555.02	3610.48	3892.44	4335.44	3.80	6.41	18.24	89.88	
39 Hotels and Leisura(33)	1390.5		1392.51	1405.44	1428.23	1124,29	4.23	5.91	21.18	53.05	1130.8
30 Medie(34)	2197.5		2193.37	2205.91	2234.B7	1645.46	2.36	4.64	36.03	38.30	1228.7
Packaging and Paper(29)	672.8		874,21	878.45	891.02	756.29	3.41	5.32	22.72	22.08	
M Storeston M	1293.60		1290.14	1286,89	1307,68	1085.18	2.57	5.47	23.01	24.77	
is Tentes(20)	857.12		860.68	862.91	878.47	699.79	3.63	5.45	23.10	22.30	1180.0
O THER ERCUPS(143)	1662.01		1653.42	1853.43	1885.02	1361.89	3.94	8.64	17.61	44.11	1192.6
1 Business Services(27)	1619.23		1616.10	1608.46	1623.40	1423.15	2.78	7.35	15.45	32.73	
2 Chemicals(24)	1534,23		1537.73	1548.92	1565.74	1342.16	4.26	0.38	*	47.B7	1113.3
3 Conglomerates(11)	1807.85		1590.22	1590.17	1611.31	1339.88	4.78	6.52	17.30	48.57	1203.3
4 Introportina	3232.30		3210.87	3231.06	3284.95	2571.67	3.59	4.02	28.37	89.51	T200.2
5 Bectricity(17) 5 Telephone Networks/8	2123.65		2136.86	2132.45	2172.82	1498.84	3.74	10.68	11.63	83.87	1407.7
	2031_98		2012.66	2020.79	2088.16	1562.18	3.42	B.15	19.94	34.65	1231.68
	3536.73		3573.31	3635.B2	3696.99	3299.01	5.05	12.23	9.03	106.71	1125.44
	2500.91		2448.43	2381.34	2456.96	2354.84	4.57	7.36	16.28	83.58	1049.2
9 DIOUSTRIAL (ROUP(697)	1525.27		1520.98	1526.28	1553.38	1348.25	3.75	6.22	19.63	39.74	1095.43
1 Oil & Desg17)	2637.97	+1.1	2806.13	2799.76	2649.67	2148.82	3.97	5.63	22.21	84.22	1314.12
9 "500" SHARE MODUBIS)	1E36.92	+0.4	1630.72	1635.31	1664.37	1422.68	3.77	6.15	19.90	49.34	1117.30
1 FOLKHOLAL GROUP(91)	1188.48		1179.23	1186.65	1207.75	854.29	3.65	3.24	45.60	33.85	1406.44
2 Banka(19	1654.63		1836.44	1647,79	1671.75	1305.51	3.25	3.79	36.29	45.27	1438.12
5 Insurance (Lite)(5)	2067.20		2069.33	2070.49	2137.04	1657.77	4.45	4.64	27.10	73.50	1221.67
8 Insusance (Composite)(7)	700.RA	-0.1	701.29	704.10	723.06	589.25	4.81	#	#	26.54	1185.79
7 Insurance Brokers(10)	BB7.36		863.69	862.16	865.48	753.59	4.52	4.82	30.30	26.42	1159.08
8 Merchant Barke(B)	830.26	-1.2	840.08	B44.94	858.64	482.D4	2.83	7,00	17.51	15.40	1694.00
Property(30)	1075.58	+0.8	1067.53	1081.97	1000.58	607.80	3.77	3 75	35.09	23.67	1730-82
O Other Rhancisk(23)	449,13	-0.3	450.61	452.25	459.76	262.08	3.55	5.21	25.35	10.95	1533.51
1 Investment Trusts(111)	1711.99	+0.3	1706.60	1705.40	1745.91	1253.92	2.40	1.92	51.98	30.05	1309.25
9 FT-A ALL-SHARE(817)	1528.48	+0.4	1522,14	1527,20	1554.54	1284.89	3.71	5.54	22.39	40.50	1161.42
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r-SE 100 3081.7	3089.D	3092.8	3085.8	3084.1	3072.2	3084.9	C.680C	3093.0	3090	٠.	3072.2

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3092,8 3448.9 1542,1	3025.8 3443.8 1539.1	3084.1 3442.0 1538.6	3072.2 3438.2	3064.9 3440.1	3089.5 3442.6	3090.0 3439.8	34 34 15	196.D 148.9	3072.2 3438.1
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1073.5	1073.7	1069.0	1073.1	1074.3	1080,7	1052	8	10724	+10.2
1458.4	1455.9	1454.7	14548	1460.8	1459.2	1459.	2	1474.5	-15.3
1991,8	1990,5	1981.1	1991.4	1993.5	2004.3	2011.	2	1389.1	+22.1
	1073.6 1459.4 1991.8	1073.8 1073.7 1459.4 1455.9 1991.8 1990.5	1073.8 1073.7 1069.0 1459.4 1455.9 1454.7 1991.8 1990.5 1981.1	1073.6 1073.7 1069.0 1073.1 1459.4 1455.9 1454.7 1454.8 1991.6 1990.5 1981.1 1991.4	1073.6 1073.7 1069.0 1073.1 1074.3 1459.4 1455.9 1454.7 1454.8 1469.6 1590.5 1591.1 1591.4 1593.5 1591.6 1590.6 15	1073.5 1073.7 1069.0 1073.1 1074.3 1080.7 1459.4 1455.9 1454.7 1454.8 1469.8 1459.2 1981.1 1981.4 1993.5 2004.3	1073.6 1073.7 1069.0 1073.1 1074.3 1080,7 1082,7 1458.4 1458.9 1454.7 1454.8 1460.8 1459.2 1459.1 1991.6 1990.5 1081.1 1991.4 1993.5 2004.3 2011.	1073.8 1073.7 1069.0 1073.1 1074.3 1080.7 1082.8 1459.4 1455.9 1454.7 1454.8 1469.8 1459.2 1459.2 1459.2 1991.4 1993.5 2004.3 2011.2	1073.8 1073.7 1069.0 1073.1 1074.3 1080.7 1082.8 1072.4 1459.4 1455.9 1454.7 1454.8 1460.8 1459.2 1459.2 1474.5 1474.5 1991.4 1993.5 2004.3 2011.2 1389.1 1589.2 1459.2 14

LONDON SHARE SERVICE



CROSSWORD

No.8,302 Set by GRIFFIN

I Single politician scoffed after church (8)

5 Be ill following fool's attack

1 Catch investigating officer dropping round (6)

2 Left Ivan the Terrible pro-

(5) 10 Dog with her tail up (5) 11 Telephone one as involved in argument (9)

12 Mean to turn it on a vola-

tile effusion (9)

13 Expect plant disease after end of August (5)

14 Replace small coins (6)

15 One running after mother stirring up anger (7)
18 Against having volunteers
8 Binder for art I glue when damaged (8)
9 Bottle many silver miners

gentleman (9) ferred to her cars (9)

out reason (6)
28 May break in false teeth for

DOWN

tecting a monster (9)
3 Where one buys cheap goods down under? (7.8)
4 Six-footer adjusted tie after school period (7)

6 But it's not where one aims to hang pictures! (8,7) 7 Giving a pass away you said goodbye (5)

in cootrol (7)

20 One cadging food in pub (6)

22 Twice heard you disposed of blue book (5)

24 Plot new role for Spanish

25 Bottle many silver miners used (8)

15 A tale a mug set here (9)

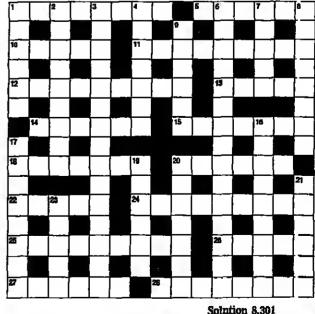
17 Blackleg promises to pay for bloomers (8)

26 Plot new role for Spanish

27 Policacy pleasaot to try

when empty (6) Conducted group trans- 20 Cut short, ring BT in Bali ferred to her cars (9) free (7)

26 Praise lieutenant after cut- 21 A stout container, perhaps? back (5)
27 Can withdraw remark with 23 Essayist against taking a taxi back at first (5)



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broker, cut profits forecasts for the leading supermarket groups. In a major review of EQUITY FUTURES AND OPTIONS TRADING

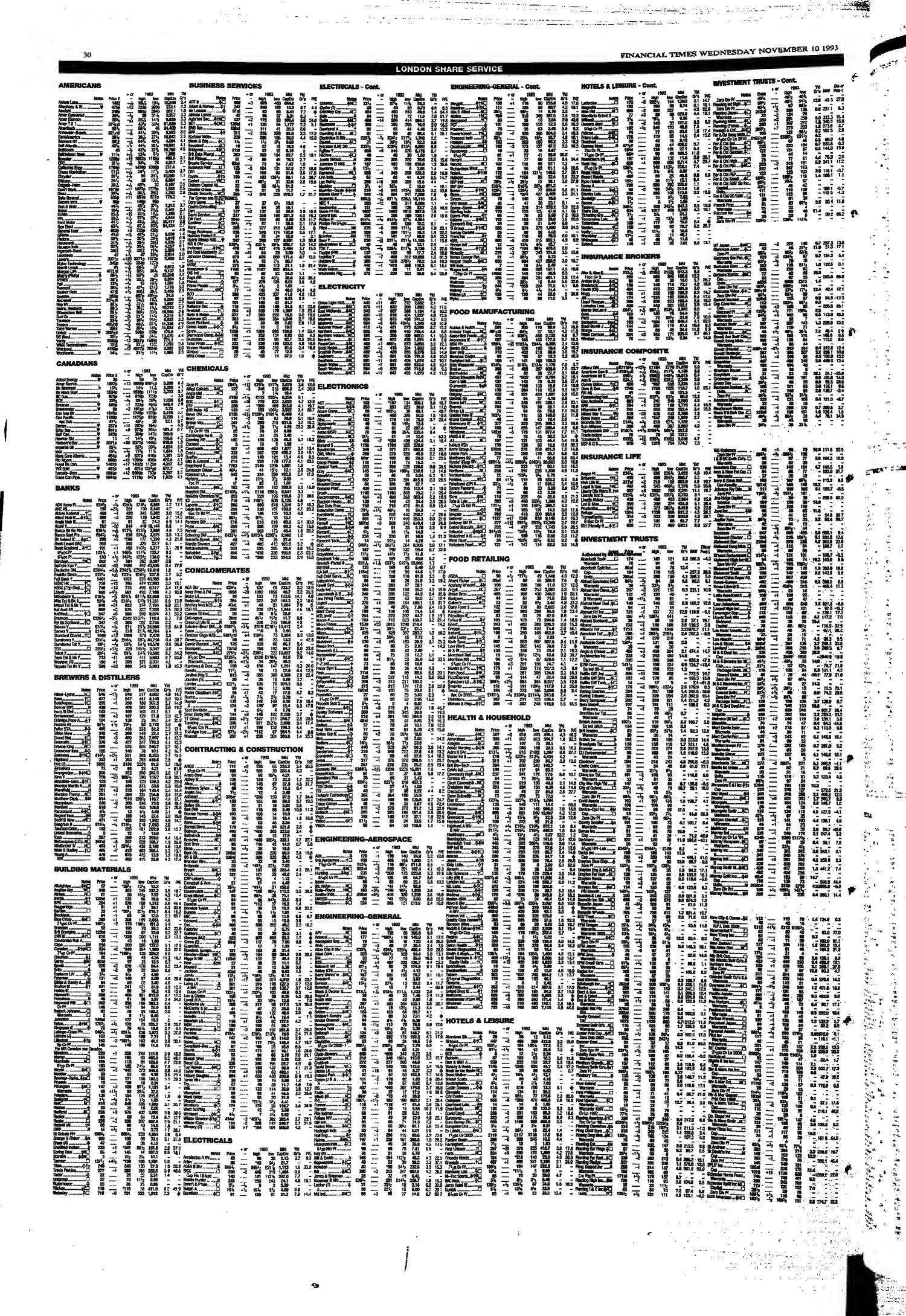
> 3.105 several times and clearly seeing resistance at that level. The midsession sell-off took

the contract down to 3,072,

a final total of just over 14,000 contracts. Independent traders were busy again but so were some of the big UK investment houses, which were still covering themselves ahead of US consumer statistics due today. Volume dropped in traded

options from 43,626 lots to

The Euro FT-SE option saw 2,973 lots dealt, but Hanson headed the list of active stocks



FINANCIAL TIMES WEDNESDAY NOVEMBER 10 1993 31 **LONDON SHARE SERVICE** OE. & GAS - Cont. 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Confis & Co

Dollar volatile on PPI

volatile trade following the release of lower-than-expected US producer prices, writes Conner Middelmann.

Immediately after the announcement that the pro-ducer price index fell by 0.2 per cent in October - compared with market forecasts for a rise of 0.2 per cent - the dollar plunged half a pfennig as dealers felt that the inflation fears which have recently underpinned the dollar were overdone.

But the selling soon fizzled and the dollar staged a strong recovery in early New York trading as many traders covered their short positions. It closed in London at DM1.6950 -up from DM1.6850 the previous day - and is expected to test resistance at DM1.70 today.

"The move shows that people still want to have dollars and huild up positions," said Mr Julian Callow, interna-tional economist at Kleinwort the PPI number was a good opportunity to huy dollars at a

However, while the long-term dollar uptrend is seen intact, some warn there could he a short-term retracement. "The risk of a correction comes from the fact that most

Nov 9	Latest	Previous Close
Soot 1 month 3 months 12 months	1 4990-1,4700 0 35-0,34pm 0 83-0 82pm 2.45-2,38pm	1.4805 - 1 4815 0 34 - 0 33pm 0.81 - 0.80pm 2.37 - 2 32pm
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		Nov 6	Previous
8.30	4m	80.4	80.7
9.00	am	80.4	80.7
10.00	am	80.3	89.7
11.00	am	80.3	80.7
Moon		E.08	80.6
1.00	pm	89.3	30.6
200	970	80.2	80.5
3.00	pm	80.3	80.5
4.00	pm	60.1	80 5

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CURRENCY MOVEMENTS

NOV 9	Index	Changes %
Sterling	80.1	-29.08
U.S Dollar	66.6	-11.40
Canadian Dollar	92.8	-8 92
Austrian Schuling .	1146	+16.70
Belgian Franc	111.7	-1.20
Danish Krone	1142	+9 00
D-Mark	124.7	437.49
Swiss Franc	114.0	+23 38
Dutch Guilder	119.7	+21 96
French Franc	106.6	-8.70
Ura	77.5	-36,54
Yer1	180.9	+121.05
Peseta	87.5	-32.64
Morgan Guara	nty change	s: average

1980-1982-100. Bank of England (Base Average 1985-100) "Rates are for Nov 9 OTHER CURRENCIES

Nov 9	3	5
Argentina	1.4725 - 1.4735	0.9990 - 1.000
	2.2070 - 2.20%	1 4975 - 1,498
Br328	285.410 - 285.41	5 193.695 - 193 7
Fintand	6.4820 - 8.5115	5.75%5 - 5.776
Greece	. 355 550 - 356.14	5 341 300 - 241 7
Hong Kong .	11.3855 - 11.386	5 7.720 - 7.728
	2443.00 - 2445.0	0 1658.00 - 1660.1
් ආක(විධා) _	1189.10 - 1189.2	0 807.000 - 807.2
Quealt	0.43985 - 0 4413	0 0.29850 - 0.298
шетропе	53.10 - 53.20	36 15 - 36 25
4675/2	1.7580 - 3.7590	2.5505 - 2.5615
Jest	4.6430 - 46445	3.1510 - 3.153
LZoaland		1 8330 - 1,8350
audi Ar		
ingapore	2 3470 - 23480	1.5925 - 1.593
A (Cm) _	4.9465 - 4.9485	
Af (Fri _	6.4540 - 6.4685	4.3800 - 4 390
uhwan	3955 - 3960	25.85 - 26.90
LAE	5.4120 - 5.4130	16725 - 3,673

will be U.S.\$958.40.

LOW COST

COMMISSION FROM £10 MISSIMING 10

of the buying has been by short-term, speculative accounts," said Mr Joe Preu-dergast, chief currency analyst with MBIS International, the

market analysis service. Today's release of the October US consumer price index expected to have risen by 0.3

per cent on the month and Friday's retail sales data are expected to offer more clues to the dollar's direction. The Canadian dollar was pressured by lears of rising fed-

eral deficits after a government official reportedly said that the 1992/93 deficit would total some C\$37bn - ahove the C\$35.5hn forecast - and that the deficit for the next fiscal year would rise to C\$39hn-C\$40bn, well above the C\$32.6bn initially projected. The Bank of Canada was

rumoured to be intervening to support the currency, which nonetheless eased to C\$1.3069 against the US currency in late London interbank trading, up

from C\$1.2980 early in the

afternoon on stop-loss selling by technical traders and ended a relatively uneventful session near its day's lows against the D-Mark and the US dollar.

It closed at DM2.4900, down from DM2.4950 marks on Monday, and at \$1.4685 compared to Monday's \$1.4805.

The Japanese yen weakened against the dollar after the stock market staged another sharp sell-off and the Bank of Japan's rather generous open-market operation caused call money to ease slightly. After closing at Y107.63 in Tokyo, the dollar rose to Y108.15 in

late London trading.

The Belgian franc was soft after news that Belgian trade unions had announced strikes over the country's social plan. It closed against the dollar around BFr36.20 in London compared with BFr35.85 on

EMS	EMS EUROPEAN CURRENCY UNIT RATES									
	Ecu Central Rates	Currency Amounts Against Ecu Nov 9	4 Change from Central Rate	% Spread vs Weekest Currency	Otrergence Indicator;					
Dutch Golder D-Mark Spanish Peseta Irish Punt Belgion Franc Portuguese Escudo French Franc Canish Krone	2.19672 1.94964 154 250 0.809628 40.2122 192 854 6.53883 7.43879	2 1521 1 1.91790 153.602 0.80926 40.8079 198.146 6 67807 7.63532	-2.03 -1.63 -0.42 0.08 1.48 1.71 2.13 2.67	4.80 4.37 3.10 2.59 1.17 0.95 0.53	3 -1 -11 -11 -16 -16					

PO	IND SPOT	- FORWA	RD AGAIN	ST 1	THE POUN	ID.		100ths of	100%		
Nov 9	Day's scread	Clase	One month	% pa	Three months	% pa	N A	Cione	High	Low	Prev.
S anada atherlands elgam	1.4635 - 1 4820 1.9105 - 1 9235 2 7850 - 2,8025 52,90 - 53,20	1,4680 - 1,4890 1,9145 - 1,9155 2,7900 - 2,8000 53,16 - 53,20	0 35-0.34cpm 6 30-0.25cpm par-l ₈ cdin 12-16cdis	2.82 1.72 -0.27 -3.16	0.84-0.82pm 6 72-0.61pm 4-3 ₀ ffs 35-43ds	2.26 1.39 -0.45 -2.94		ed volume s day's ope		(C)	
enmark etand	9 9000 - 6.9375 1 1.0470 - 1.0525 2.4550 - 2.4975	9.9150 - 8.9250 1.0500 - 1.0510 2.4875 - 2.4925	2 ¹ g-2 ¹ coreds 0.03-0.06cds 1 _{g-1} cstds	-2.95 -0.51 -0.90	5-k-67gds 0.14-0.21ds 2 _k -5 ₈ ds	-2.55 -0.67 -0.80		Aderte Stee points of			
paki paki sky orvay ance aeden aeden	754.00 - 255.50 198.95 - 200.10 2423.25 - 2436.00 10.9050 - 10.8500 6.6525 - 8.6975 11.9950 - 12.0500	254.00 - 255.00 199.35 - 199.65 2431.05 - 199.65 10.8350 - 10.8450 8.6750 - 0.8850 12.0175 - 12.0275 158.50 - 158.50 17.37 - 17.40	89-188cds 70-80cds 6-74reds 1-4-repn 3-14-cds 15-24-cods 1 ₂ -3-ypm 3-13-grods	-8.01 -4.51 -3.21 0.69 -1.30 -1.93 3.30 -0.82	299-418da 198-216da 20-22da 11 ₄ -11 ₂ da 23 ₂ -2 ₃ da 41 ₂ -51 ₂ da 11 ₃ -11 ₄ pm 25 ₂ -41 ₂ da	-5.52 -4.13 -3.45 -0.51 -1.21 -1.86 -3.30 -0.83		94,49 94,69 94,69 94,75 94,67 94,56 (Inc. figs.			
witerland	2.1875 - 2.2025 1.2970 - 1,3045	2.1925 - 2.2025 1,3000 - 1,3016	6 15-0 18cds	1,02 -1.52	2 44-0.51ds	1 02 -1,48	THREE M	IONTH EURO	PALLOG		
ammerczal 50-2 40pm	rates taken towards (the end of London in	iding. Soi-month fo	nward do	Gar 1.48-1.44pm . 1	12 Month	Dec Mar	Close 96.51 96.48	High 96.52 96.46	Low 98.48 96,39	Prev. 96.43 96.37
DOL	LAR SPOT	- FORWAR	RD AGAIN	ST 1	HE DOLL	AR	Jun Sep	96,19 95.93	96,12	96,11	96 06 95.77
Nov 9	Day's spread	Close	Dire month	pa.	Three Months	p.a.		finc. figs. day's ope			
							Street M	ermi me			

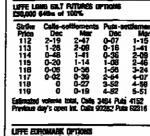
DOL	DOLLAR SPOT - FORWARD AGAINST THE DOLLAR					
No. 9	Day's spread	Close	Die month	% pa	Three Months	% pa
nk† Inland† Innada Intertanda Intertanda Intertanda Intertanda Intertanda Intertanda Intertanda Intertanda Intertanda	1 4635 - 1 4820 1.3950 - 1.4135 1,2950 - 1.3090 1 8875 - 1.9050 35.80 - 36.25 6.6975 - 6.7600 1.6810 - 1.6990	1 4680 · 1.4690 1,360 · 1.3970 1,360 · 1.3070 1,5025 · 1,9035 36.15 · 36.5 6,7525 · 6,7575 1,6345 · 1,6965	0.35-0.34cpm 0.40-0.38cpm 6.11-0.13cds 0.50-0.52cds 17.00-19.00cds 3.10-3.30creds 0.48-0.49ptdis	2.82 3.35 -1,16 -3.22 -6.97 -6.88 -3.43	0.84-0.82pm 1.06-1.03pm 6.25-0.30ds 1.30-1.33ds 45.00-49.00ds 7,90-8.40ds 1.28-1.30ds	2.66 3.62 4.84 4.76 4.83 7.84
ortugal Spain Laly Rorwsy Trance Sweden Lagan Austria Switzerfand	172.10 - 173.60 134.80 - 135.95 1840.25 - 1656.75 7.3075 - 7.3900 5.8550 - 5.9150 8.0975 - 8.1950 107.80 - 108.30 11,3250 - 11.8900 1,4825 - 1.4980	173.40 - 173.50 135.85 - 135.95 1655.50 - 1656.00 7 3800 - 7.3850 5.9075 - 5.9125 8.1850 - 8.1900 108.20 - 108.30 11.9625 - 11.9675 1.4965 - 1.4975	124-129cds 80-85cds 9 00-8 60lmeds 1,35-1,60cmds 1,90-2,00cds 3,05-3,35cmds 0,08-0,05cm 3,25-3,55cmds 0,18-0,20cds	サンタン 100mm	340-355dis 212-222dis 21.00-24.00dis 3.00-4.15dis 5.00-5.20dis 7.70-8.15dis 0.32-0.31pm 8.40-9.300dis 0.44-0.48dis	-8.01 -6.39 -5.60 -2.15 -2.45 -1.16 -2.57 -1.16 -2.57
ort	1 1275 - 1 1380	1,1275 - 1,1285	0.41-8 40cpm	4.31	1.06-1.03pm	371

Austria	11,5250 · 11	8900 11,3625	· 11.8675 3.:	29-3.55gradis	-344	8.40-9.300ds	ı
Switzerland .	1,4825 · 1 i	1980 1,4965	- 1,4975 1	0.18-0.20cals	-152	0.44-0.48ds	
Ecut	1,1275 · 1 i	1380 1,1275	- 1,1285 (1.41-8.40cpm	431	1.06-1.03pm	
Commercial (Forward pres	tates taken for truths and disc	vards the end of counts apply to	London trading the US dollar a	, † tik, lestand nd not to the i	and Eq.	ere quoted in US currency.	a

	EURO-CURRENCY INTEREST RATES							
Nov 9	Short lenn	7 Days notice	(Ing Manth	Three Months	Stx Months	One Year		
serbing	7 - 6/3 10 - 9 9/4 - 9/4 2/2 - 2/4 8/3 - 7/3 3/2 - 2/2 11 - 9	54 - 54 34 - 45 64 - 45 65 - 65 65 - 65 65 - 65 65 - 65 65 - 65 7 - 65 7 - 65 85 -	512 - 54 34 - 344 44 - 444 64 - 644 44 - 444 65 - 653 68 - 653 68 - 653 68 - 653 68 - 76 76 - 76 76 - 114	53454545555555555555555555555555555555	57. 67. 45. 45. 45. 45. 45. 45. 45. 45. 45. 45	512 - 514 314 - 412 314 - 412 514 - 514 514 - 514 514 - 514 514 - 514 614 - 72 710 - 77 207 - 207 414 - 314 105 - 1614		

Long term Eurocolians two years $4\frac{1}{12} + 4\frac{1}{12}$ per cent, three years $4\frac{1}{12} + 4\frac{1}{12}$ per cent, flour years $5\frac{1}{12} + 5\frac{1}{12}$ per cent, monitori. Short term exten are call for US Dollar and Jaconson Year others, has class' notice.

		EX	CHA	NGE	CRO	oss	RAT	ES			
£	s	DM	Yen	F Fr.	S Fr.	N FL	Lira	æ	B Fr.	Pta.	Ecu
$\overline{}$	1,468	2,490	159.0	8.680	2.187	2.795	2431	1.915	53,15	199.5	1.30
0.687	T		108.3	5.913	1.497	1.904	1656	1.304	36.21	135.9	0.88
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	1 0.681 0.402 6.289 1.152 0.455 0.358 6.411 0.502 1.881 0.501	1 1.488 0.681 1 0.402 0.590 6.289 9.233 1 152 1.881 0.455 0.668 0.358 0.525 6.411 0.604 0.522 0.767 1.881 2.762 0.550 0.738	E S DM 1 1.488 2.490 0.681 1 1.696 0.402 0.590 1 6.289 9.233 15.66 1152 1.891 2.869 0.455 0.668 1.133 0.358 0.525 0.891 6.411 0.504 1.024 0.522 0.767 1.300 1.881 2.762 4.885 0.501 0.736 1.248	1 1.488 2.490 199.0 0.661 1 1.886 108.3 0.402 0.590 1 63.6 0.528 9.233 15.66 1000. 1152 1.991 2.899 183.2 0.455 0.668 1.133 72.37 0.358 0.525 0.891 58.89 6.411 0.604 1.024 55.41 0.522 0.767 1.300 83.03 1.861 2.762 4.855 298.2 0.500 0.704 1.248 78.70	E S DM Yen F Fr. 1 1.488 2.490 199.0 8.680 0.661 I 1.686 108.3 5.913 0.402 0.590 I 63.66 3.486 6289 9.233 15.66 100.0 54.59 1 152 1.931 2.899 183.2 10. 0.455 0.668 1.133 7.27 3.951 0.358 0.525 0.891 56.89 3.108 6.411 0.604 1.024 55.41 3.53 1.861 2.767 1.300 81.03 4.573 1.861 2.762 4.885 298.2 16.33 0.501 0.769 1.248 79.20 4.531	E S DMr Yen F.F. S.F. 1 1.488 2.490 159.0 8.680 2.187 0.681 1 1.895 108.3 5.913 1.497 0.402 0.590 1 63.66 3.486 0.826 1 152 1.891 2.869 183.2 10. 2.531 1 152 1.891 2.869 183.2 10. 2.531 0 455 0.686 1.133 7.237 3.951 1 0 358 0.525 0.891 56.89 3.108 0.786 6.411 0.604 1.1024 65.41 3.571 0.845 0.522 0.787 1.306 83.03 4.533 1.147 1.881 2.762 4.885 298.2 16.33 4.134 0.501 0.796 1.248 7.870 4.381 1.301	E S DM Yan F R. 3 R. M F. 1 1.488 2.490 159.0 8.680 2.187 2.795 0.661 1 1.696 108.3 5.913 1.497 1.904 0.402 0.590 1 63.96 3.486 0.825 1.122 0.402 0.591 1 6.300 5.499 18.32 10. 2.531 3.220 0.455 0.668 1.133 7.237 3.951 1 1.227 0.455 0.668 1.133 7.237 3.951 1 1.292 0.455 0.767 1.024 85.41 3.571 0.904 1.150 0.522 0.767 1.300 82.03 4.503 1.47 1.480 1.861 2.762 4.865 2.982 16.33 4.134 5.239 0.501 0.736 1.248 7.670 4.381 1.100 1.401	E S DM Yen F R. 3 R. N R. Lira 1 1.488 2.490 159.0 8.680 2.187 2.795 2431 0.661 1 1.695 108.3 5.913 1.497 1.904 1956 0.402 0.590 1 63.86 3.486 0.882 1.122 976.3 1 152 1.931 2.899 183.2 10. 2.531 3.220 2001 1 152 1.931 2.899 18.32 10. 2.531 3.220 2001 0 455 0.668 1.133 72.37 3.951 1 1.227 1107 0 455 0.668 1.133 72.37 3.951 1 1.227 1107 0 525 0.767 1.306 8.541 3.571 0.966 1 569.6 4.411 0.604 1.248 78.03 4.533 1.47 1.480 1289 0 522 0.767	E S DM Yen F.Fr. S.Fr. N.Ft. Ltra CS 1 1.488 2.490 159.0 8.680 2.187 2.795 2431 1.915 0.661 1 1.686 108.3 5.913 1.497 1.904 1956 1.304 0.402 0.590 1 63.65 3.486 0.892 1.322 753 0.798 12.04 1 152 1.931 2.899 183.2 10. 2.531 3.220 2891 12.04 0.455 0.668 1.133 7.237 1.961 1 1.272 1107 0.872 0.411 0.604 1.024 53.41 3.571 0.906 1 868.6 6.895 6.411 0.604 1.248 3.633 3.571 0.906 1.50 0.0 6.706 0.522 0.767 1.306 8.03 4.583 1.447 1.480 1209 1 0.501 <	E S DM Yen F Fr. S Fr. N Ft. Ltra CS 8 Fr. 1 1.488 2.490 199.0 8.680 2.187 2.795 2431 1.815 53.15 0.661 1 1.686 108.3 5.913 1.497 1.804 1856 1.304 26.21 0.402 0.590 1 63.86 0.882 1.122 976.3 0.769 21.35 1 152 1.891 2.869 183.2 10.2 153 1320 2901 2.206 61.23 0.455 0.668 1.132 72.37 1.951 1 1.272 1107 2.072 2.489 0.411 0.604 1.034 5.541 0.904 1.150 100.0 6.765 1.62 0.455 0.668 1.333 7.37 1.961 1 1.272 1.072 1.471 0.411 0.604 1.245 5.43 3.71 0.904 1.150	E S DM Yen F Fr. S Pr. M Fr. Lira CS 6 Fr. Ptz. 1 1.488 2.490 159.0 8.680 2.187 2.795 2431 1.915 53.15 189.5 0.402 0.590 1 63.65 3.486 0.882 1.122 876.3 0.769 21.35 91.25 91.35 91.27 91.35



FINANCIAL FUTURES AND OPTIONS

Calls - Dec 1,33 0.58 0.49 0.23 0.09 0.04 0.02 0.01

0.74 0.50 0.29 0.13 0.05 0.02 0.02

High Low 117-16 116-07 118-08 115-00 115-05 114-05 114-06 114-03 113-28 112-35 113-11 113-11

0.6732 0.6716

7 to 10 YEAR 10% NOTIONAL FRENCH ROND (MATE) FIGURES.

CAC-40 FUTURES (MATTE) Stock index

December 2116.5 2136.0 January 2128.0 2148.0 March 2157.0 Estimated volume 22,977 † Total Ope

ECU BORD (MATE)

Adam & Company

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Benk of Cyprus ...

Benk of Ireland

Bank of Scotland

Brown Shipley 6
 CL Bank Nederland 6

93.59 94,47 94.98 95.24

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2,97

BASE LENDING RATES

Exeter Bank Limited7 Financial & Gen Benk7

●Flobert Fleming & Co6

Habib Bank AG Zurich .. 6

Haritable & Gen Inv Bk. &

C. Hoars & Co........

Hongkong & Shanghal. @ Julian Hodge Bank 6 @Leopold Joseph @ Sons6

OHS Samuel

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PARIS

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Unity Trest Bank Pic ... 6 Western Trust 6 Whiteaway Laidkaw 6 Windelcon & Sth West.7

 Members of British Merchant Banking & Securities Houses

* Rodungte Bank Ltd ... 6 *(in administration) Royal Bk of Scotland6

@Rea Brothers .

NAL ITALIAN GOVT, BOND (BIP) Citie of 100% Case High Low L87 115.02 113.97 L85 114.70 113.95

93.85 94,56 95.00 95.28 95.36

Estimated volume 87728 (60223) Previous day's open Int, 707302 (712833)

THREE MONTH EURO SWISS FRAME SFR Im points of 100%

Estimated volume 8153 (4009) Previous day's open Int. 53188 (53186)

THREE MONTH SUROLINA INT. RATE
LIRA 1,000m points of 100%

Close High Low
Dec 81.31 91.35 81.25
Alar 92.02 92.02 91.93
Aur 92.42 92.42 92.33
Sep 82.55 92.66 92.64

F7-SE 100 INDEX .

25 per full index point

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Estimated volume 10008 (7989) Pravious day's open Int. 110458 (169271)

Estimated volume 14157 (13748) Provious day's open Int. 86510 (67116)

Contracts traded on APT. Classing prices shown.

Glose High Low Prev. 3097.0 3105.0 3072.0 3078.0 3114.0 3117.5 3093.0 3095.0 3125.0 3124.5 3124.5 3105.5

1-mth. 3-mth. 6-mill. 12-mth. 1.4651 1.4602 1.4638 1.4448

High Low 98.11 93.06 93.86 93.83 84.34 94.31 94.65 94.63

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 Low
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		075
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abows the r	angth. Percentage artic between two currency, and the	Dec Mar

Nov 9	Day's scread	Close	One month	% pa	Three months	% pa
Morway	198 95 - 200.10 3423 25 - 2436.00 10 9050 - 10.8500 6.6525 - 8.6975	1,4680 - 1,4800 1,9145 - 1,9155 2,7200 - 2,800 53,16 - 53,20 9,9150 - 8,9250 1,8300 - 1,810 2,4875 - 2,4825 244,00 - 255,00 199,35 - 199,45 2431,00 - 2432,00 1,6250 - 1,0460 8,6750 - 0,8850 1,0450 - 1,0460 1,0450 - 1,0460 1,0450 - 1,0460 1,1460 - 1,0460	0 25-0.34cpm 6 30-0.25cpm par-lacifia 12-16cdis 12-16cdis 42-24corede 0.03-0.05cdis 43-18cdis 70-80cdis 6-7/tretis 1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 4-1-1acrepar 6 15-0.18cdis	2.82 1.72 -0.27 -3.16 -2.95 -0.91 -4.51 -3.51 -3.51 -1.30 -1.93 3.30 -0.82 -1.52	0.84-0.85pm 677-0.65pm 35-15db 54-15gb 0.14-0.71db 29-416db 19-216db 20-22db 14-17-0.5 14-17-16-16-16-16-16-16-16-16-16-16-16-16-16-	2.26 -0.45 -2.94 -2.55 -0.80 -0.52 -1.25 -

DOL	DOLLAR SPOT - FORWARD AGAINST THE DOLLAR							
Nov 9	Day's spread	Close	Dire month	pa.	Three Months	% p.a		
URT Instant Canada Canada Betglum Derwark Germany Portugel Spain Haly Norwsy France Jacan Ja	172.10 · 173.60 134.80 · 135.95 1840.25 · 1856.75 7 3075 - 7 3900	1 4680 1.4690 1.3960 1.3970 1.3060 1.3970 1.5062 1.3070 1.5062 1.3070 6.7525 6.7525 6.7525 6.7525 1.6945 1.6945 173.40 173.50 135.85 135.60 7.3000 7.3850 7.3000 7.3850 7.3000 7.3850 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8950 1.8955 1.8955	0.35-0.34cpm 0.40-0.38cpm 6.11-0.13cdd 0.50-0.52cdd 1.7.00-19.00cd5 3.10-3.30credb 0.45-0.48cpts 124-125cdd 8.0-8.50tredb 1.35-1.50tredb 1.50-2.00cdf 1.90-2.00cdf 0.68-0.85tpm 3.29-3.55cpmds 0.18-0.20cdf 0.14-0.45tpm 3.29-3.55cpmds 0.18-0.20cdf	23565158875884886455 1765747457465745	0.84-0.82pm 1.06-1.03pm 1.06-1.03pm 45-0.0-49.00ds 45-0.0-49.00ds 45-0.0-49.00ds 340-155db 21-2-22pb 21-2-	226 484 -276 -439 -439 -439 -439 -438 -214 -437 -437 -437 -437 -437		

EURO-CURRENCY INTEREST RATES						
Nov 9	Short	7 Days notice	(Ing Month	Three Months	Stx Months	One Year
Sterling	84 - 8 34 - 25 44 - 84 64 - 84 65 - 64 7 - 67 10 - 8 94 - 95 21 - 24 85 - 75	57 - 54 31 - 3 42 - 44 64 - 64 47 - 45 65 - 61 7 - 67 94 - 94 84 - 94 215 - 213 61 - 5	512 - 514 34 - 344 44 - 412 614 - 612 614 - 612 9 - 812 9 - 812 212 - 244 813 - 712	513 - 53 513 - 33 514 - 64 614 - 64 612 - 612 612 - 612 613 - 614 614 - 614 615 - 614 615 - 615 616 - 615 617 - 615 618 - 615 619 - 615 610	5% 6% 3% 3% 49 - 46 513 - 513 45 - 414 6% - 64 8% - 52 713 - 713 2% - 2%	512 - 5,4 314 - 314 454 - 412 514 - 514 514 - 514 514 - 514 71 - 614 71 - 71

EXCHANGE CROSS RATES												
Nov 9	£	s	DM	Yen	F Fr.	S Fr.	N FL	Lira	æ	6 Pr.	Pta.	Ecu
8	T	1,468	2,490	159.0	8.680	2.187	2,795	2431	1.915	53,15	199.5	1.30
	0.687	T	1.696	108.3	5.913	1.497	1.904	1656	1,304	36.21	135.9	0.88
	0.402	0.590	1	63.86	3.486	0.882	1,122	976.3	0.769	21,35	60,12	0.52
YEN	6.289	9.233	15 66	1000.	54.59	13.82	17.58	15289	12.04	334.3	1255	9.17
F Fr.	1 152	1.691	2.869	183.2	10.	2.531	3.220	2801	2.206	61.23	229.8	1.49
	0.455	0.668	1.133	72.37	3.951	1	1.272	1107	0.872	24.19	90.81	0.59
	0 358	0.525	0.691	56.89	3.108	0.786	1	869.6	6.685	16.02	71.38	0.46
	6.411	0.604	1.024	65.41	3.571	0.904	1.150	1000.	6.786	21,86	82.06	0.53
	0 522	0.767	1.300	83.03	4.533	1.147	1.460	1269	1	27.75	104.2	0.57
	1.881	2.762	4.685	299.2	16.33	4.134	5,259	4574	3,603	100.	375.4	2.44
	0.501	0.736	1.248	78.70	4.351	1.101	1,401	1210	0.960	26.64	100.	0.65
	0.769	1.129	1.915	122.3	6.677	1.690	2.150	1670	1.473	40.56	153.5	1.

MONEY MARKETS

German Repo eyed

German short-term interest rate futures firmed slightly as traders hoped for another small easing at the Bundes-bank's allocation today of 14and 28-day securities repurchase agreements et variable rates, writes Conner Middel-

Most dealers expect the lowest accepted repo rate to edge down hetween two and four hasis points; according to a survey of German money market dealers by MMS International, the market analysis service, the minimum rate on hoth tranches is expected to drop by two basis points, to 6.37 per cent on the two-week tranche and to 6.38 per cent on the four week tranche.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Two tranches of repos totalling DM81.5hn expire today and many dealers expect the Bundesbank to make a small net liquidity injection.

The December three-month Euromark futures contract rose 0.02 point to 93.87 and the December contract was up 0.04 point to close at 94.58.

Further slippage in German money market rates is expected to facilitate more near-term easing among some of the country's neighbours Whose currencies have recently moderate volume.

G:

appreciated against the D-Mark, notably France, Belgium and the Netherlands. "They're all waiting for the

next German rate cut," said Ms Alison Cottrell, European economist at Midland Global Markets. With the Dutch guilder trading at 112.2020 against the D-Mark and after last week's hetter-than-expected Octoher inflation numbers, "the Dutch must go fairly soon," she said.

The Bank of France may be a little more cantious given its continuing need to raplenish Its foreign currency reserves. The December PIBOR future on MATIF eased 0.01 point to

In the UK money market, the Bank of England announced an early shortage of some £1.7hn, later revised downward to £1.65bn. It did not operate in the early round, but allocated some £1.294bn at the midday operation. In the afternoon, the Bank purchased hills totalling £236m and provided late assistance of around £70m.

The sterling overnight interbank rate was unchanged on the day at around 6 per cent. December short sterling futures closed unchanged on the day at 94.49 while the March contract rose 0.01 point to 94.69, both trading on

FT LONDON INTERBANK FIXING (11.00 a.m. Nov.9) 3 months US dollars 6 months US Dollars bld 33 offer 31₂ bld 3,7

The fluing rates are the artiferedic means rounded to the nearest one-ebdeenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at \$11.00 a.m. each working day. The banks are Notional Westmatter Benik, Bank of Tokyo, Deutsche Bank, Banque Netional de Parts and Morgan Buaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds One Two Months 6.40-6.50 6.79-6.94 41₂₋₄₅ 0.12-6.18 2.7-21₂ 813-9 813-81 814-61₃ 6.35-6.45 6.30-6.40 6.05-6.15 8.68-6.81 412-45 0.07-6.13 6.75 6.45 LONDON MONEY RATES

One Year 63₈ 5 5°2 5°4 5°4 **验 5**32 64 513 Company Deposits
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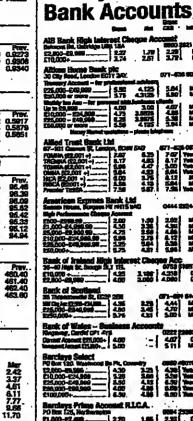
Treasury Billis feelit; one-month 5% per cent; three months 5% per cent; aix months 5% per cent; back Billis feeli; one-month 5% per cent; three months 5% per cent; Treasury Billis; Awarge tender rate of discount 50007 p.c. E002 Feel Rais Stating Poolor Finance, Maillia un day October 24, 1983 to Dec 25, 1983 Scheme 8 & E. 7.05 p.c. Reference rate to period fee 24, 1983 to Dec 25, 1983 Scheme 8 & E. 7.05 p.c. Reference rate to period cct 1, 1983 to Oct 29, 1983, Scheme Rais 1, 1983 Scheme 8 & E. 7.05 p.c. Reference rate to period cct, cafeca seven days fixed. Finance Houses Base Rais 8pc from November 1, 1983 Spark Deposit Rais for surfix at 7 days notice 64 p.c.-Chriticates of Tax Deposit Series 8; Deposit 2100,000 and over hald under one menth 24, p.c.; con-times months 54, p.c.; three-fax months 5 p.c.; strain months 44, p.c.; nine-treates months 42, p.c.; Under £100,000 24, p.c. form Jen 27, 1993, Deposits withdrawn for cash 14,p.c.

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BARCLAYS BANK PLC

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Junior Undated Floating Rate Notes

Notice is hereby given that the Rate of Interest for the Interest Period from 10th November, 1993 to 10th May, 1994 is 3.8125 per cent. per annum and that on 10th May, 1994 the

amount of interest payable in respect of each U.S.\$5,000 principal amount of the Notes will be U.S.\$95.84 and in respect of each U.S.\$50,000 principal amount of the Notes

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Inflation news helps to support the Dow

Wall Street

SHARE PRICES saw modest gains across the board at midsession, supported by good inflation news and sharply lower bond yields, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 10.62 at 3,658.52. The more hroadly based Stan-dard & Poor's 500 was 2.04 higher at 462.25, while the Amex composite was up 0.49 at 477.09, and the Nasdaq composite up 6.79 at 772.94. Trading volume on the NYSE was 171m shares by 1 pm.

Stocks rose from the opening bell, buoyed by a sbarp rise in Treasury prices - the bencbmark 30-year issue was up more than a point in early afternoon trading and the yield was down to 6.118 per cent and good news on inflation, which was the driving force hehind the bond markst's

The latest inflation data showed that the producer prices index fell by 0.2 per cent

Analysts had been expecting a small increase in the PPl.

in the form of the "core" mea sure of the PPI (which excludes the volatile food and energy components), which fell by 0.5 per cent last month.

The surprisingly positive inflation figures not only lifted bond prices, but also helped allay whatever fears equity investors might have had that the Federal Reserve would be forced to put up interest rates to prevent a resurgent economy from reigniting inflation. Sbare prices would bave risen higher on the inflation news, however, but for growing concern among investors

The vice-president was due debate with Nafta opponent Mr Ross Perot on US television last night, and the markets remained worried that congress might not vote to ratify

about the fate of the North

American Free Trade Agree-

the treaty next week. News that RJR Nabisco is putting up cigarette prices by 4 cents a pack raised hopes that the cigarette price war is over and hoosted tobacco stocks. RJR rose \$13 to \$6% in volume of 3m shares, Philip Morris put on \$1% at \$55% and American

Brands firmed \$\% to \$33\%. AT&T rose \$1/4 to \$561/2, helped hy an upgrade from NatWest Securities, which raised its rating on the stock from "accumulate" to "buy' citing price reasons.

Another upgrade lifted Banc One \$1% to \$37% in active trading. as Smith Barney Sbearson put out a huy recommendation on the banking group's stock. Good quarterly earnings helped Wal-Mart gain \$% at \$28% and The Limited put on

\$% at \$30%. Motorola rose \$2% to \$100% on the news that it has purchased a 20 per cent stake in Nextel, the mobil communications service provider. Nextel climbed \$4% to \$50% on the Nasdaq market.

Canada

TORONTO built on early gains to show a strong midsession rise with across-the-hoard gains helped by lower interest

The TSE-300 composite index was 29.30 higher at 4,245.75 in turnover of C\$367.5m.

Among the actives Royal Bank Canada was off Cs at

ASIA PACIFIC

Tokyo falls 3% as profits are taken in JR East

THE Nikkei average fell nearly 3 per cent following heavy institutional selling of JR East and further negative news about the economy, writes Emiko Terazono in Tokyo.

The 225-issue index tumbled 499.45. or 2.7 per cent, to 18,125.71, having seen the day's high of 18,661.67 in the morning, hefore losing ground steadily throughout the session to register a low of 15,048.50 in

the last hour of trading. Volume Increased to 322m shares from the 242m registered on Monday. Declines overwhelmed advances by 937 100, with 116 issues unchanged. The Topix index of all first section stocks dropped 39.05, or 2.5 per cent, to Nikkei 50 index eased 1.24 to

Large-lot beavy selling of JR East hy corporate shareholders depressed sentiment, the shares closing Y28,000 down at Y451,000. Earlier in the day, Mr Hirohisa Fujii, the finance minister, told a parliamentary committee that the government bad not made any mistakes in the listing. The shares have lost nearly 25 per cent since trading hegan on October 26.

Banks were dragged down hy Topix-linked arbitrage selling. with Industrial Bank of Japan sbedding Y120 to Y3,220, Mitsuhishi Bank losing Y120 to Y2,950 and Fuji Bank declining Y120 to Y2,260.

weak on profit-taking: Toshiba slipped Y8 to Y683, Sharp declined Y20 to Y1.520 and Hitachi retreated Y22 to Y903. investors also took profits in large-capital issues, and Nip-

High-technology stocks were

pon Steel, the day's most active issue, relinquished Y14 at Y317 and Mitsubishi Heavy

surrendered Y10 to Y641.

declined for the sixtb consecutive day, losing 463,57 to 20,301,24 in volume of 17.8m

Roundun

WITH A few exceptions the region's markets reflected the heavy decline in Tokyo.

SEOUL, however, took Its own path and saw its highest level since October 1990, with investors particularly active in large-capitalisation stocks. The composite index climbed 4.73 to 780.20 in turnover of Won1.020hn.

HG Asia in London commented that the market's recent rise was partly due to the fact that It had lagged behind recent gains elsewhere in the region, in addition, they expansion in exports from the car, semi-conductor and steel sectors had hoosted enthusl-

asm for equities. There were also rumours that the timetable for increasing the limit of foreign investment, from 10 to 15 per cent, might he hrought forward, with domestic investors already taking positions in those stocks that are likely to be favoured by overseas

institutions. Samsung Electronics went limit-up, rising Won1,600 to Won50,200, and Hyundai Motor hit its daily upper limit of Won1,300 to close at Won33,400. HONG KONG was weaker as investors turned cautious after Tokyo's plunge. The Hang Seng index was finally 89.48 off at 9,088.47 after swinging between a high of 9,273.17 and

a low of 9.059 14. **NEW ZRALAND** regained 2 per cent after Monday's sharp fall, but the market remained nervous in the current uncer-

tain political situation. The NZSE-10 index finished

With the final election result not due to be known until the weekend - votes from nationals living overseas have yet to he counted - volatility is

> AUSTRALIA eased on afternoon selling, the All Ordinaries lndex dipping 3.4 to 2,050.8. Turnover amounted to A\$408.3m.

BHP shed 4 cents to A\$17.20 and, among the banks, NAB fell 10 cents to A\$12.40.

SINGAPORE closed lower after volatile trading, with the Straits Times Industrial index 15.50 down at 2,053,30.

Singapore Telecom gained 8 cents at \$\$3.90 ahead of its announcement, after the market closed, of an 18,8 per cent rise in half-year earnings. TAIWAN was lower for the

fifth trading day in a row amid the recent rally. The weighted index bad rebounded slightly at the opening but soon fell to finish 23.38 off at 4,172.44. Turnover was a fairly active T\$27.78hn, against Monday's

Sentiment was cautious due to the approach of the Novemher 27 local government electlong, hut selling was not beavy on the view that the government would not allow the market to post sharp falls before the polls.

KUALA LUMPUR saw an

early rebound interrupted hy Tokyo's fall, hut the composite index still closed 16.14, or 1.75 per cent, higher at 937.66, after a day's peak of 944.89.

The index had fallen 55.54 points over the previous two trading days on forced selling caused hy margin calls.

COLOMBO continued to attract beavy speculative demand, which took the allshare index ahead 24.21 to 870.73 for a three-day rise of 8.9 per cent. Turnover was also sharply higher at SLRs208.8m from Monday's SLRs114.9m.

Twin boost for Euro-insurers in 1993

Portfolio gains and rate increases have combined impressively, writes Richard Lapper

nvestors who spotted the potential of European insurance shares towards the end of last year have seen their boldings appreciate impressively over the past 12 months.

Shares in some companies, such as Germany's Aachener & Munchener (AMB), have almost doubled, and across the Continent insurance issues have outperformed local stock markets.

Between September 15, 1992 and November 5 this year, insurance shares have risen by 57 per cent, a gain of 132 per ceot relative to the FT-Actuaries Europe index as a whole, according to figures produced by BZW Securities.

Since the end of June, insurers have continued to outper-form, registering a 14.4 per cent rise compared to a relative gain of 2.5 per cent. Italian and French companies led the way earlier this

year but, over the last four

been ons important factor.

months, German. Swiss and Dutch insurers have performed more powerfully, with the prices of German companies up hy more than 30 per cent since the end of June.

Third-quarter released recently by NatWest Securities show that insurance stocks in three smaller territories also performed well, with prices up hy 17.2 per cent in Spain, 28.2 per cent in Sweden, and 25.7 per cent in Finland.

Falls in interest rates have increased the value of hond portfolios, and insurers have also benefited from increase in the value of their equity and property investments.

that since insurers bold large amounts of equities, property and bonds in their technical reserves, their portfolios tend to be "highly leveraged".

In addition, however, insur-

BZW insurance index 140 ----

Investment arithmstic has

ing two to three years of heavy Mr Boh Yates, an analyst with Fox Pitt Kelton, explains claims from theft and fire.

where motorists, especially in the eastern German states, are facing rises typically of 50 per cent. Commercial buyers, too, are facing increases. "Virtually every day the newspapers are full of reports, with companies squealing about their rates going up.

insurers," says Mr Bennett, Mr Angus Runciman, an analyst with BZW Securities, says the hardening in rates has been an important factor in Scandinavia, where insurers have been forced to take tough 1993 action to restore the strength of their halance sheets, followers have also been helped by rises in premium rates following the turmoil in local stock

Actuaries Share Indices

FT-SE Berotrack 100 1337.04 1337.31 1338.53 1340.44 1338.95 1343.23 1346.07 1348.67 FT-SE Berotrack 200 1399.58 1398.23 1398.72 1406.91 1366.86 1402.22 1406.93 1406.41

Open 10.30 11.00 12.00 13.00 14.00 15.00 Close

The region now comes close to offering a competitive vacnum," saya Mr Runciman, who In most countries, rates for predicts that rating discipline such as home and motor - and Mr Tom Bennett, an analyst

markets last year.

should be maintained there longer than anywhere else in the region.

This has to be good news for

Reinsurers - such as Ger-

many's Munich Re and Swit-Markets, points to Germany, zerland's Swiss Re - have been helped by a hardening in international reinsurance markets where rates have risen and terms tightened for high level

catastrophe covers.

However, the currently bullish trend for insurers may have a limit. Mr Ruheiman also suggests that "the likelihood of lower interest rates will sooner or later result in reduced streams of investm

income" There are fears, he says, that there are sears, se says, that having repaired their balance sheets some companies, especially the French, will be prepared to forgo further premium rate increases in favour of rate. ing market share.

"it is worrying," he con-cludes, "that even before the publication of Itheir 1983 results, there are already suggestions that rates have risen sufficiently and it is time once again to focus or

Milan slides on decline in telecoms sector

IT-SE

November 9

both personal insurances -

commercial lines have risen.

with Banque Paribas Capital

BOURSES remained nervous at the heginning of yesterday's session, hut expectations of further consolidation in German stocks were not borne out at the end of the day, writes

Our Morkets Staff.
On the credit side, bargain bunting lifted Parls after last week's losses, and unexpectedly low producer price inflation figures from the US gave sentiment a boost in the after-

MILAN was unnerved by a sharp early fall in Sip, the domestic telephone operator, and the Comit index finished 10.22 or 1.8 per cent lower at

Sip was hriefly marked down 10 per cent in early trading before picking up to finish L156 or 4.7 per cent lower at L3,140. Stet, the state holding company, lost L170 or 4.4 per cent

Mr Roberto Condulmari of Giuhergia Warburg commented that the sector appeared to have been depressed by reports that AT & T was seeking a pact with French and German telecommunications groups, and that Italian companies were not involved, together with EC pressure on the Italian government to speed the granting of a licence to a second mobile tele-

However, Mr Condulmari doubted that this was enough to account for Sip's sharp early fall, which he thought was more likely to be the result of an error in pricing a block of 50,000 shares which were

offered by a brokerage.
FRANKFURT'S DAX index fell to 2,005.83 during trading. the third session in a row where the blue chip indicator had dropped to within a few points of the 2,000 level. However, it recovered to close 12.02 higher at 2,022.83, and the Ibis indicated Dax rose further to 2.040.74 hy the end of the post-

Ms Barbara Altmann at B Metzler in Frankfurt said that after the DAX held again

SOUTH AFRICA

JOHANNESBURG was pres snred by volattlity of the ficancial rand and a fall in the price of gold hullion. The 1,888, the industrials index lost 18 to 4.547 and the overall index weakened 23 to 3,997.

above 2,005, some funds bought futures, and then the impetus moved into the cash market. The reason was a rally in the bond markets in both the US and Germany following the US PPI figures.

Turnover rose from DM7.4bn to DM7.8bn. Ms Altmann said that, just as stock did not appear when the market was falling early in the day, there was no really big huying during the recovery after hours. Short covering, she said, was having more effect on share

ZURICH bounced higher, the SMI index adding 51.8 or 1.9 per cent to 2,727.1, with an already positive tone improved by Wall Street's firm opening. Mr Frederick Hasslauer of Bank Oppenheim in Zurich said that strong foreign

demand had re-emerged from the US, Britain and Germany for hlue chip issues at their lower levels after the market's recent correction.

Chemical stocks, hard hit

last week, were among the

main gainers. Roche certificates added SFr170 or 3 per cent to SFr5,900, matching their record close. Sandoz added SFr150 or 4.1 per cent to SFr3,850 and Ciba-Geigy bearers were SFr20 higher at SF1825.

Motor-Columbus added SFr95 nr 6.5 per cent tn SFrL550. Kleinwort Benson, rating the stock a buy, commented last week that the group's radical restructuring was set for completion six months ahead of schedule, in mid-1994, and the process was driving a financial turnaround, with the company

1429.46 1447.07 1444.39 business. Kleinwort valued the new Motor Cohumbus stock at SFr2,020, which implies a rise

of 30 per cent from carrent lev-

Nov 4 Nove 3

PARIS was also hoosted by the release of US data after imguishing without much entiresiasm at the opening. The CAC-40 index finished up 28:10 or 1.3 per cent at 2.112.89. Turn-

nver was a moderate FFra 3bn. There was interest in stocks which have been adrift of recent general gains, while LVMH was helped FFr10 higher to FF13.551 after Remy-Cointreau, up FF18.90 to now refocused on its energy FFr210.40, announced better.

UAP put on FF115 to FF1612 helped by the appointment of a new chairman in the lend up to privatisation, as well as favour

able brokers' reperter
AMSTEXDAM shrengtheand
on good rises in tastor issues and in spite of a further decline in Akzo which shed Fl 4.80 to Fl 180-20. The CBS Tendeticy index put on 0.2 0

The speciality chemicals group closed just above its placing price of F1 180 which was announced in the morning Akro has announced that it will place the new shares with a total value of some FILMs to finance its acquisition of Nobel industries of Sweden. Unilever remained strong ahead of results later this week, the stock attracting the recommendations in the me

time, and it closed Fi 4.70

stronger at Fi 216.00.

Good results speak louder than words.



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DePfa Group: January - September 1993 Total assets 109,047 DM m + 18796 New loan commitments 28,041 DM m + 47.5% .97.502 Dlvt m + 18.1% Total landings ssue of securities including funds borrowed 24,094 DM m + 80.8% Securities outstanding including funds borrowed 87,034 DM m . + 18,2% 170 DM m + 29.0%

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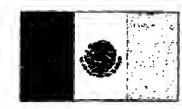


Deutsche Plandbrief und Hypothekenbank AG

FT-ACTUARIES WORLD INDICES

Jointly compiled by Tha Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			MON	DAY NOV	EMBER 8	1993				FRIDAY 1	NOVEMB	R 6 198	FRIDAY NOVEMBER 6 1993 DOLLAR IN			ÆX
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Starling Index	Yen	OM Index	Local Currency Index	Local 4 chg on day	Grass Div. Yield	US Coller Indica	Pound Starling Index	Yen Index	DM Index	Local Currency Index	1993 High	1983 Low	Year ago (approx)
Australia (69)	155.62	-1.9	155.84	106,29	136.33	154.43	-1.2	3.35	158,70	158.28	108.48	139.57	156.33	162.83	117.39	114,7
Austria (17)	175.21	+1.4	175.46	119.67	153.4S	153.20	+0.3	1.03	172.77	172.32	116.11	151,94	152.79	184.47	131.18	139.19
Belgium (42)	151,75	+0.0	151.96	103.64	132.93	134,18	-0.6	4.29	151.68	151.28	103.68	133,38	135.22	155.78	131.19	134.8
Canada (107)	134,26	+0.1	134,45	91.69	117,61	126.00	+0.2	2.65	134.19	133,83	91.73	118.00	125.73	134,34	111.41	115.4
Denmark (32)	240.89	+0.9	241,23	164,53	211.02	219.43	+0.2	1.03	238.74	238.11	163.21	203.95	218.93	241.06	185.11	167.27
Finland (23)	122.95	-1.2	123.12	83.96	107.71	148.07	-2.0	0.71	124.43	124.11	85.07	109.43	151.03	128.99	65.50	89.40
France (98)	162.29	+0.5	162.51	110.83	142.15	149.24	+0.2	3.11	161.43	161.01	110.35	141.95	148.90	173.05	142.72	146.4
Germany (60)	130.33	+0.1	130.51	89.02	114,17	114.17	-0.2	1.86	130.14	129.80	88.98	114.4S	114.45	136.13	101.59	104.23
Hong Kong (55)	368,40	+2.1	368.92	251.61	322,74	365.47	+2.1	2.99	360.77	359.82	246.63	317.28	357.90	386.66	218.82	254.6
Ireland (14)	174.80	-0.2	175.05	115.39	153.13	174.67	-0.5	3.21	175.18	174.71	119.76	154.05	175.68	177.89	129,28	125.13
Italy (70)	64.68	+0.0	64.77	44.17	56.66	79.40	+0.1	2.10	64.87	64.50	44.21	56.86	79.35	78.93		
	147.94	+0.4	148.15	101.05	129.62	101.05	+0.3	0.81	147.35	146.98	100.74	129.61	100.74	165.91	53.78	56,3
Malaysia (69)	455.56	-3.3	456.21	311.14	399.08	448.55	-3.2	1.53	470.98	489.75	321.97	414.18	463.48		100.75	100.86
Mexico (19)			1796.86		1571.88	6180.72	-2.2	0.80	1837.01		1255.84		5320.71	487.72	251.66	282.42
Netherland (25)	184.08	-Q.1	194.35	132.56	170.02	167.64	-0.3	3.27	194.33	193.82		1615,48		1867.70	1410.30	1499.6
New Zealand (13)	\$1.7S	-8.9	61.84	42.18	54.10	60.28	-S.7	3.76	\$7.77	87.59	132.85 45.33	170.90 59.60	158.21	187.07	150.39	150.27
Norway (23)	177.40	-0.3	177.66	121.17	155.42	178.44	-1.0	1.45	177.98	177.4S	121.66	156.50	64.58	68.38	40.58	38.67
Singapore (39)	306.35	-0.5	306.78	209.24	268.37	224.96	-0.5	1.42	307.74	306.93	210.38		178.14	185.10	137.71	131.36
South Africa (60)	202.72	-4.8	203.01	138.46	177.59	202.94	+0.3	2.66				270.63	226.20	332.55	207.04	195.81
Social Maria	138.45	+0.8	138.64						212.87	212.31	145.52	187.20	202.28	218.72	144.72	140.13
Spain (42)				94.50	121.28	141.65	-0.2	4.17	137.63	137.26	94.09	121.03	141.90	145.24	115.23	107.85
Sweden (36)	198.02	-0.4	198.30	135.25	173.48	238.11	-0.4	1.42	198,89	198.37	135.97	174.91	239.01	208.92	149.70	158.14
Switzerland (50)	145.61	+1.4	145.82	99.46	127.58	134,01	+0.9	1.62	143.64	143.26	98.20	125.33	132.86	148.18	106.91	108.64
United Kingdom (216)	184.90	-0.7	186.16	128.27	161.98	185.18	-0.3	3.86	166.20	185.71	127.28	163.73	185.71	193,97	162.00	162.78
USA (519)	187.30	+0.1	187.56	127,93	164.08	187.30	+0.1	2.76	187.QS	186.56	127.88	164.50	187.05	191.56	175.38	171.13
Europe (750)	156.94	-Q.1	157.17	107.19	137,49	150.85	-0.1	3.00	157.03	156.62	107.35	138.10	151.04	162.97	133.92	131.85
Nordic (114)	188.99	-0.2	189,25	129.08	165.56	197.27	-0.5	1.24	189.42	198.92	129.49	169,57	198.23	194.54	142.13	144.49
Pacific Basin (714)	155.95	+0.2	156.17	106.51	136.62	110.60	+0.2	1.09	155.57	155.16	106.36	136.81	110.38	168.80	105.89	105.34
Euro-Pacific (1464)	156.25	+0.1	156.47	106.71	135.87	126.72	+0.1	1.38	156.07	155.66	106.68	137.24	126.53	162.86	117.28	
North America (626)	183.98	+0.1	184.24	125.68	161.20	183.09	+0.1	2.75	183.75	183.26	125.63	161.62	182.85			116.66
Europe Ex. UK (532)	138.77	+0.4	138.57	94.80	121.59	130.48	+0.0	2.48	138.27	137.91	94.55			187.68	171.51	187.67
Pacific Ex. Japan (245)	233.46	-0.7	233.81	159,49	204.58	216.03	-0.4	2.74	235.03			121.62	130.49	143.73	112.51	113.02
World Ex. US (1650)	157.04	+0.0	157.26	107.27	137.58	129.04				234.41	160.70	206.71	218.81	245.12	152.70	160.10
		+0.1	164.55				+0.0	1.90	157.02	156.51	107,35	138.09	128.95	152.89	118.51	117.71
World Ex. UK (1951) World Ex. So. Af. (2109)	164.32	+0.1	166.23	112.24	143.96	143.38	+0.1	2.05	164.09	163.66	112.18	144.32	143,21	158.86	134.22	132.15
World Ex. Japan (1700)	166.00 177.81	-0.1	177.86	113.39 121.32	145.43 155.61	146.85 173.75	+0.1 +0.0	2.22 2.82	165.83 177.76	165.39 177.29	113.37	145.83	145.54	170.46	137.29	134,89
	186.14	+0.1	166.37	113.48	145.55	147.15	+0.1	2.22			121.53	156.34	173.77	181.57	157.47	153.99
Copyright, The Financial Ti					_				165.04	185.61	113.52	146.03	147.03	170.68	137.32	134.81



IN THIS SURVEY

☐ The Mexican economic miracle is

looking less miraculous

☐ There are still many obstacles companies face when doing business

Profiles: Femsa, Alfa, Vitro and

☑ Nafta vote deadline is November 17

☐ Key Facts

in the country

I∃ Map

RESIDENT Carlos Salinas would probably have wanted it another way. As he ends the fifth year of his six in office, the Mexican economy is showing only sluggish growth and his efforts to secure a free trade agreement with US and Canada depend precari-

ously on the US Congress.
The North American Free Trade Agreement, which was to guarantee continuity in economic policy and thereby cement Mexico's stability, has so far only succeeded in creating uncertainty. The treaty has been identified with the president so profoundly that its loss would be a severe

"President Salinas bet the store on Nafta," says Mr Jorge Castaneda, an aca-demic and a critic of the government, writing in the latest issue of Foreign Affairs, "and if passage is his triumph, rejection or delay is his defeat."

But just as Nafta's passage would be no panacea for Mexico's economic ills, its collapse – while significant – would not necessarily be disastrous. Good macroecoessarily de disastrous. Good macroeco-nomic management – a hallmark of the Salinas presidency – has lowered the bud-get deficit and inflation and increased for-eign exchange reserves, all of which should cushion the economy from the worst of the shocks.

If Nafta does fail, however, prospects for growth will be diminished in the short and medium terms. Interest rates would probably have to rise - hurting growth - to ensure that capital flows stayed intact in the immediate aftermath of a defeat. In the medium term, foreign direct invest-ment and other flows would likely be

lower, suggesting a slower growth track. Government officials say their immediate reaction to Nafta's failure would be to allow interest rates to take the strain, and that they are contemplating no devalua-tion to speed up growth. Still, big specula-tive outflows could endanger this outcome and in any case no government advertises devaluations in advance.

Mr Salinas denies that he has overemphasised Nafta and says his administration's other reforms show it is "not the only thing going on in Mexico". Apart from the agreement with the US. Mexico is also negotiating trade pacts in other parts of the world and expects next year to join the Organisation for Economic Co-operation and Development.

If Nafta fails, Mr Salinas says, however, that the chances of another agreement "would be out for several generations". After more than three years of negotiations, and following the uncertainty over the treaty generated by the US recession, and the change in administration, he adds:



So close to the United States: the bright lights of Monterrey's Eugenio Garze Sada Avenue are remis

Reform awaits its reward

President Salinas denies he has overemphasised the North American Free Trade Agreement, although he is depending on its passage . But Nafta is no panacea for the economy. Stephen Fidler reports

year's presidential campaign. Slower growth would weaken the government by leaving in doubt the overall success of its economic policies. Meanwhile, a nationalist backlash could well hurt relations with the US and put pressure on the presiden-tial candidate of the ruling institutional Revolutionary Party (PRI), which has held power for more than six decades.

While the PRI will continue to have sigto negotiate a trade agreement is during a the elections, its ability to rig the vote has recession and an election." been constrained - some political observbeen constrained - some political observThe treaty's defeat would affect next ers say to an important extent - by elec
the result is - and it is widely assumed ing attention to the predominance of PRI that Nafia's rejection will aid the opposi-

toral reforms pushed through in the Salinas presidency. "With the new rules for the election, it makes a different range of scenarios possible from those we have seen in the past. I don't believe it will be possible to manufacture elections as in the past. It's not a perfect reform but if it applies next year, it does imply clean elections," says Mr Federico Estevez of ITAM,

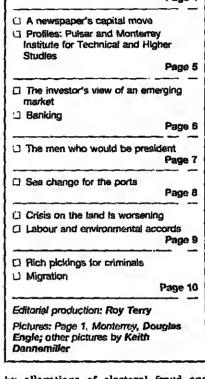
a private university in Mexico City. Not everynody agrees: opposition Democratic Revolutionary officials on the supposedly independent electoral commissions running the ballot at federal and state level. Its candidate Mr Cuauhtemoc Cardenas describes the

changes as "a backward step".
With the right-wing PAN opposition not viewed as having a strong presidential contender for 1994, the anti-government protest vote is likely to coalesce around Mr Cardenas. This suggests that the elecas fraudulent by the opposition. The closer

resonate. This would again raise questions - as they were raised by Mr Salinas's victory in 1988 - about the legitimacy of the administration.

"For a democratic election to occur, all

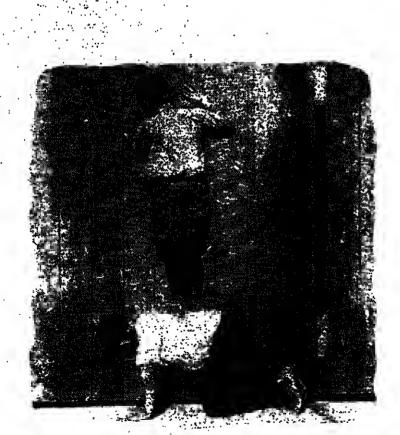
major parties in a country must accept the process and respect the results," said a report from the Carter Centre of former US President Jimmy Carter last month. where that is the case."



hy allegations of electoral fraud and authoritarianism. The uncertainty generated by the election - even when most people assume they know who will win -indicates not the strength of its authoritar-lan system but its weakness.

The power of the Mexican executive was also once commonly seen as a help in pushing through unpopular economic reforms in the early stage of the reform process, if that were ever the case, there is increasing doubt about it now. Some econ

Continued on page 10



Sometimes an opportunity looks right because it's the only one you can sec.

IN MEXICO, AS ELSEWHERE, THE KEY TO SMART DECISIONS IS PERSPECTIVE. SO TALK WITH THE SERFIN FINANCIAL GROUP. WHERE THE COUNTRY'S LEADING INVEST-MENT BANKERS WORK WITH EXPERTS FROM THE MOST EXPERIENCED COMMERCIAL BANK. WHICH MEANS YOU NEED NOT NARROW YOUR CHOICE OF OPPORTUNITIES IN OUR MARKET UNTIL YOU'VE HAD THE INVESTMENT BANKING BENEFIT OF THE WIDEST POSSIBLE VIEW. ASSET MANAGEMENT EHASINA & FACTORING

Thus, in a continent of elected governments. Mexico's continues to be coloured

am-nts rib-ese, irst

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who sup-d those in towns who re looking es are willninflation. Mr Marek oliticiao in my, knows a worsena the IMF. jeopardise ed 20 per country's nn govern-:plemented : that the itəl – until th western ney. .U's trade hird of the could proı left-wing

arty's free as Mr Wieslaw privatisacomises to way at the 'SL, ambious of Mr e promise

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: farmers.

ler Kwasyed out of appear to front and w governocial pres-ent faces mtain, as rn for the t in their ilsed, hut Stephen Fidler finds that after the economic reforms, growth has begun to slow down

The miracle seems to have faded

THE Mexican economic miracle is looking less miraculous of late. The government can claim success in the battle against inflation: it should fall to 8 per cent or less this year from around 12 per cent last year. It has also managed to reverse the worrying growth of the current account deficit from \$22.8bn in 1992 it should fall to around \$20bn this year.

But this has come against a background of slowing economic growth. After three years in which the economy expanded by more than 3 per cent, growth slowed to 2.6 per cent last year and to under 2 per cent this year, falling short of population growth for the first time since the election year of 1988.

Next year, thanks in part to a modest fiscal stimulus, the government is forecasting growth of 3 per cent. But this forecast looks at risk if the North American Free Trade Agreement is not ratified. Without the treaty – and assuming no big devaluation bigher interest rates will almost certainly bog down the

Seven years of economic reform then have yielded some results: President Carlos Salinas this month emphasised that investment had increased in his administration - from 17 per cent of GDP in 1988 to 22 per cent in 1992 - and that labour productivity had gone up by 19 per cent in the last

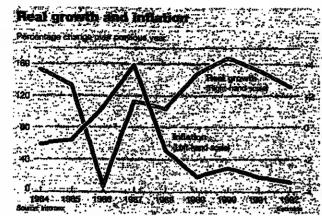
three years.

But there has been no takeoff in growth. Some economists
suggest this is a matter of
time. Growth has been slow,
they suggest, because of the
rate in which the old capital
stock has been destroyed by
the opening of the economy
since 1985 to the world mar-

kets.

"The process of reform has been more profound than previously estimated. That means that the economy was more inefficient before than anybody imagined – including the private sector," said Mr Guillermo Ortiz, under-minister of

While some economists argue that the rapid exhaustion of the country's old productive base may suggest that



the trade liberalisation was too rapid, others place more emphasis on what the government has not done rather than what it may have done too quickly. There remain, says this group, significant bottlenecks to growth. These include poor infrastructure and a deregulation process which has yet to reach the state and local government level. They also blame a rigid labour market, a corrupt and inefficient judicial system which does not allow the enforcement of contracts and, above all, the high cost of bank credit.

bank credit.

One pro-reformofficial argues that fundamental reform of the state-run electricity sector and the railroads is needed in the next six-year administration. The social security system is "a time bomb for the next six years." He adds: "If the labour market is not deregulated, social security and health is

Seven years of economic reform have yielded some results, but no take-off in growth

not dealt with and infrastructure is not improved, we will have problems."

Whatever the case, the weakness of the economy in the face of reasonably high levels of investment – et least until this year when uncertainty surrounding Nafta inhibited it – coupled with insufficient levels of domestic savings, means Mexico will continue to depend heavily on foreign capital for some time to come. That being so, the room for manosuvre in macrosconomic policy in the next administration will not be large, since international investors can be expected quickly to react adversely to economic policy of which they disapprove.

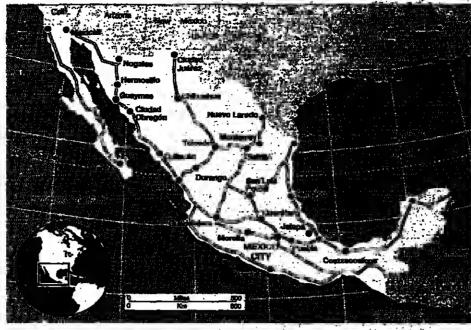
The growth slowdown has

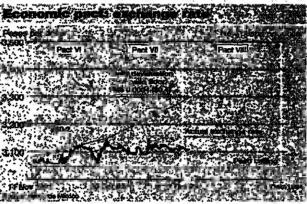
other causes, slow world growth being one. From this perspective, some officials argue that Mexico's private sector performance looks less weak. Non-oll exports growing at an annualised 15 per cent in the first half of the year compared with world export growth of 0.2 per cent. Meanwhile, imports grew at an annualised 7.4 per cent rate. This has helped to bring down the current account this year, although some officials say that, if next year's higher growth materialises, the current account may again widen. Lower inflation may also

have had an impact on business. Inflation has fallen faster than many businesses expected. This has left companies paying higher salaries than justified by inflation and has increased the real rate of interest which they are paying for credit. This has squeezed profitability and led them to reduce production. "This was the first time in many years in which it proved costly to many companies not to believe the government's forecasts," says

The slowdown was worsened further by the behaviour of the banks. Not only did high real rates of interest curb borrowing, but at the end of March, says one monetary official,

one government economist.





many banks in effect stopped lending to the private sector so they could repair the damage caused by bad debt problems. Since the first quarter, interest rates have fallen faster than inflation, with interbank rates falling from 23 per cent in February to below 16 per cent.

With interest rates falling and companies now accustomed to lower inflation, the government is expecting the economy to pick up in the economy to pick up in the fourth quarter of this year. This should be helped, officials say, by the modest fiscal stimulus agreed in the annual pact between the government, business and the trade unions.

This year's pact has several

novel features: it brings down the annual salary increase to 5 per cent for next year, but allows for eettlements above that in cases where productivity justifies it. Minimum salaries will rise by the same amount, but a negative income tax will raise take-home pay by close to 17 per cent for those

on the minimum wage.

The fiscal stimulus will come with the government's plan to balance its budget next year. This year the fiscal surplus was forecast at 1.7 per cent, but is now likely, say officials, to turn out at around 1.1 per cent, with part of the difference accounted for by lower oil prices. "Because of the surplus,

we'll be able to stimulate the economy without having to worry about inflation," says Mr Ortiz of the finance minis-

If fiscal policy has been conservative, monetary policy has - says the central bank - been neutral: with an enchange rate target, it can do little but accommodate the demand for money. Although growth in the monetary bese has been a modest 4.8 per cent in the year to August, below inflation, the central bank says changes in the cheque clearing system at the end of March suggest the monetary base has effectively grown close to 10 per cent.

However, to some observers, monetary policy looks tight and for good reason: the government is anxious to avoid the kind of speculative attack on the peso that will force its hand on the exchange rate. "One way to kill speculation is to dry up liquidity," said Rogolio Ramirez de la O, of the economic consultancy Ecanal. The central bank has done this and has continued ensure that technically speculators cannot attack the peso by selling it short. Short selling implies the selling of e currency by those who do not own it.

The exchange rate has been essentially stable since the

. 1,958,201 sq km Carlos Salines de Gortari Population Mexican new peso 1991 \$1=3.0184 new pesos 1992 \$1≃3.0949 new pesos 1992 Total GDP (Sbn)...... Real GDP growth (%) 2.6 3.6 22.4 n.a. 9.0 13.9 n.a. -17.0 imual average % growth in. 22.6 uner prices (%). 13.4 Wholesale prices (%). 20.5 hid production (%) 19.8 Money market rate (%) 18,942 Oficial foreign reserves (\$m)... Stock market cap. (\$m)*____ 17,726 45,048 37,821 Growth in share prices (%)".... 145.1 -22.811 27,516 48,193 38,184 _20,677 -11,329 imports 70.7

start of the year within a hand which widens daily. At the end of this year, the permitted fluctuation will be 9.1 per cent.— The exchange rate, widely considered to be overvalued is in many ways the Achilles heel of

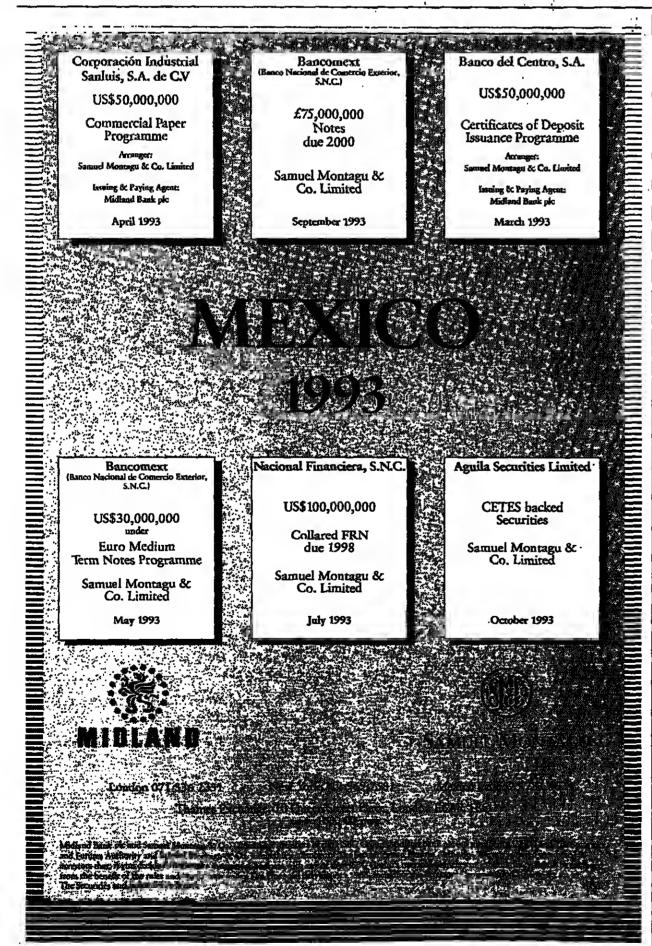
The exchange rate has been essentially stable since the start of the year

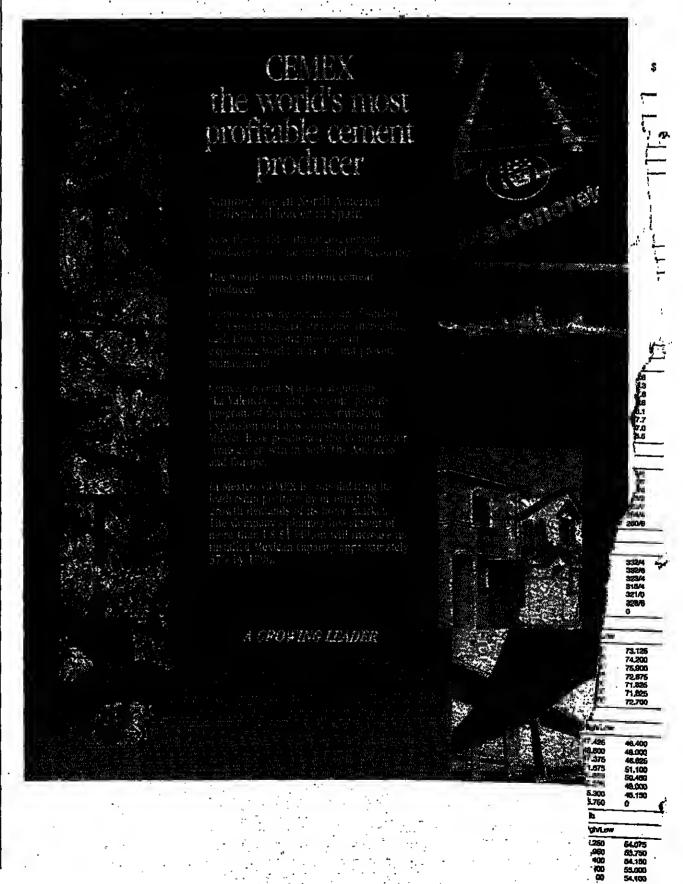
the government's steady-asshe-goes economic policy in an election year. It looks to some economists particularly vulnerable if Naffa is not passed. Officials say they are deter-

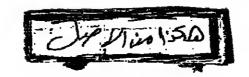
mined to avoid the financial crises in their last year of office that plagued the previous three administrations. And they say (as they obviously would) that they will not use a deliberate exchange rate depreciation to stimulate the econ-

omy. "We'd rathe: have zero growth and no devaluation than 3 per cent growth and a devaluation," says a senior government advisor.

Officials point out that the current account deficit remains more than financed by capital inflows, as shown by rising foreign exchange reserves and falling market interest rates. If the financial markets are getting nervous about the fallure of Nafta, there is as yet no obvious sign of it.







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HEN AN Iranian-Briton claimed in February that he had been asked for a bribe to secure a Mexican air traffic control contract, he unleashed a storm of controversy. Mr Kaveh Moussavi, who said he was asked for a bribe while acting as agent for IBM, was condemned by the Mexican government and ministers as soon as his allegations appeared in the Financial

While it is clear that Mr Moussavi informed IBM at the time of an encounter with three Mexican officials seeking a bribe in Mexico City's Nikko Hotel last November, his allegations have not been proved. On the other hand, Mr Moussavi says they have received only perfunctory investigation by the Mexican government Certainly. Mr Moussavi was condemned by government ministers as a liar before an investigation could have been carried out.

The controversy raised a number of important questions over the extent to which corruption and the country's judi-cial system - widely said to be Stephen Fidler examines the obstacles faced by companies in Mexico

Putting the bite on business

trary in its decision-making are obstacles to doing busin in Mexico. As such, the Moussavi affair has become one of the issues that opponents of the North American Free Trade Agreement have used to attack the treaty.

In reality, US multinationals such as IBM are usually suffi-ciently well-connected politically to achieve redress for any real or imagined wrongs. Mr Moussavi - who has since reached an "accommodation" with IBM not to criticise the company - has himself pointed out: "If this is the trouble the government can give to a \$72bn corporation, God help the smaller companies."

If these issues are problems for foreign companies - and if Nafta is passed, corporations-from the US and Canada will at least have a right to redress through the treaty's disputes

Nancy Dunne explains the US procedures for approving Nafta

Vote deadline is November 17

THE North American Free Trade Agreement, the most controversial US trade agreement since the second world war, has now entered the shadowy world of the Congressional fast track where legislative procedures are turned on their heads, a bill is not a bill, a conference not a conference. and legislation to implement trade agreements is born.

The fast-track procedure mandates an up or down vote on the "implementing legisla-tion", thus evading deal-killing amendments designed to bene-fit special interests. Unlike a treaty, which requires a twothirds senate vote for passage, fast track gives the responsibility of approval to a majority in

The only hope for getting a trade pact through Congress without amendments is to

This is achieved through a pre-approval negotiating pro-cess between the administration and the Congress, Representatives of both essentially write the implementing legisla-

Work on the "non-bill" that will become the implementing legislation begins first in committees - the House Ways and Means Committees and the Senate Finance - which have primary jurisdiction over trade. Other committees with jurisdiction - like banking and agriculture - will also hold

After holding hearings, Ways and Means and Finance each write a "non-bill", in consulta-tion with the administration and other committees. This process, ordinarily called a markup", to produce bills, is

called a "mock up".

The "non-hill" makes changes in current law necessary for the implementation of trade agreements, provides for financing mechanisms and changes tartifs. It could also include the administration's interpretation of unclear por-tions of the trade pact. Other trade legislation can be attached.

There is talk about adding a "Super 301" provision to the Nafta in order to attract wavering Democrats. Super 301 requires the administration to negotiate away foreign trade barriers (or use sanctions if the trading partners baulk).
The committees take their

non-hills to a House-Senate "mock conference" where they iron out their differences and most of the changes are made. Mr Richard Daley, the adminis-

hard at work, making back-

room deals in exchange for

The result then goes to the president, who has a free hand with the "non-bill". He can tear it up, alter it, or submit it to Congress for fast-track action, at which point it becomes a bill.

The bill can no longer be changed. It must be voted on in no fewer than 90 legislative days (days in session). The House committees have 45 days to debate its merits before it moves on to full House debate for 15 days. If it loses here - which may well bappen that is the end of the process.

If it passes, it goes on to the enate, where the committees have 15 days to dehate and vote and the full Senate has 15 days. Both houses must sched-

The president has asked Congressional leaders to accelerate the process in order to get a Nafta into effect on January 1, as scheduled. Mr Tom Foley, the House speaker and Nafta supporter, has scheduled a floor vote for November 17.

There is considerable specu

lation about whether or not the vote will go forward on schedule. The White House and Congressional leadership have vowed that it will A senior Senate aide said that the administration wants to get the issue "over and done with" to make way for more popular ues such as health care and crime legislation. "Members don't want to go home and talk about it any more," he said. "The administration won't pick

votes by waiting." Others say the administra-tion has been forced to take a tough line on the Nafta schedule to stem the flow of defecting Republicans and Democrats, who are afraid a pro-Nafta vote will hurt them in their districts. They will not want to support the bill if they think the president might delay it or pull it for re-negoti-

But will the leadership act if a Nafta loss seems probable? November 17 la less than a month before the December 15 deadline for the Uruguay

There is concern that a failure of Nafta in US Congress would discourage politically-risky concessions in the Gatt talks, particularly if as expected, Mr Ross Perot, the Texas billionaire, comes out in oppo-sition to the Gatt and promises to fund a fight against its pas

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tially devastating for smaller Mexican companies. While deregulation of the economy at a federal level has reduced some of the obstacles to these enterprises, they are still often faced with obstructive and corrupt officialdom at lower levels. Even newly-privatised industry is often unhelpful: the traditional bribe - known as the "mordida" nr hite - is still often necessary to ensure timely repairs of telephone

lines, for example.
There are groups within the Mexican government who agree that the judicial system and the consequent lack of ability to enforce contracts is a serious weakness of the Mexican economy: the reform of the legal system is considered by the finance minister and presidential candidate, Mr Pedro Aspe, among others, as a reform priority for the next

Indeed, the travails of smalland medium-sized companies are of mora than peripheral importance to the Mexican economy. Mr Rafael Rangel, of the Monterrey Institute for Technical and Higher Studies, estimates such enterprises are responsible for 80 per cent of Mexico's industrial production.

These companies are also, he says, poorly equipped to deal

with the technological and management challenges posed by the opening of the Mexican economy. It is a theme echoed by Mr Luis Rubio, of the Centre of Investigation for Development in Mexico City. "There is still an enormous abyss between those companies that have understood what's going on and those that have no idea bow to adjust to it. They have a lack of access to good information. There are perhaps 120,000 to 130,000 companies in inhibit such developments the country, many of which It is not only in banking are going to die needlessly. That doesn't mean they should be subsidised; just that they

to information." These and other issues coalesce into what is the main problem facing most Mexican companies: high interest rates and a lack of access to credit. The government has transformed Nacional Financiera, the state development bank. from a source of government funding to a provider of credit to the private sector. But loans remain expensive - with real interest rates well into double digits - and scarce. Only big companies with access to international capital markets can-

they should be allowed access

circumvent the problem. It is clear that the privatisation of 18 banks has not been

enough to secure competition in the provision of bank loans, However, the government is taking further steps to inject more competition into the banking system: cutting withholding tax on interest payments to banks abroad and try ing to establish a market in mortgage securities. Here again, the lengthy and uncertain legal procedures required for lenders to gain access to collateral in Mexico may

where questions of competition arise. The administration has left the state electricity monop oly untouched, and electricity prices are high. Where it has privatised, the government has been skilful at extracting the best price possible for state companies industries but at a cost, some say, of concentrating economic power into relatively few hands. This increases the importance - for small husinesses, distributors and consumers - of ensuring effective redress for the abuse of monopoly power.

The law aimed at ensuring competition is probably one of the most advanced in the world, encapsulating the distinction now made by economists between size per se - the old definition of monopoly -



and monopolistic behaviour. Mr Santiago Levy, president of the new Federal Competition Commission and the man who framed the law, says: "The link between performance and structure is more elaborate than has been generally understood. You can't infer that more concentration is necessarily bad. What is Important

is the behaviour of businesse not so much the size of the firms. What the law is looking for is efficiency and competitive markets; in other words that prices are as close as possible to costs."

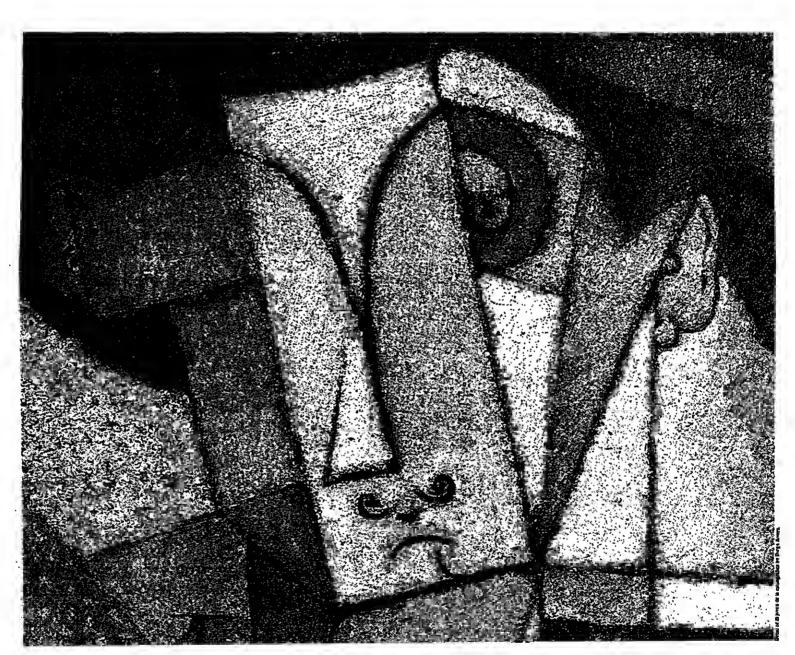
The law distinguishes between what is illegal per se - such as bid rigging - and issues for which a "rule of rea-

son" should apply. These latter issues would include, for example, restrictive agreements between producers and distributors. In investigating these, the commission must first define what the relevant market is - for example, cotton sbirts, shirts or clothing. It must then decide that the company complained of has substantial power in this market, which will involve a close Investigation of the market

Mr Levy reckons more competition in some sectors including communications. transport and financial services - would be beneficial. "Particularly in non-tradeable sectors, we think a more vigor ous competition policy could be useful."

Along with the central bank, now being made independent. the competition commission is one of two new government institutions that will transcend the presidency. Commissioners will sit for 10 years - although in the first place their terms will be staggered to ensure one of the live is rotated every two

Still, the incorporation of best practice in the law is noguarantee that it will be followed, Mr Levy knows that to gain credibility his organisation will have to show its teeth. That will mean not only issuing effective judgments against the government's enemies and those with little political influence, but also against those with buge influence in the corridors of power.



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Headquarters Mexico. Av. Universidad 1200. C.P. 03339. Tel. (525) 621-34-34. Fax. (525) 621-32-30. · Buenos Aires · Grand Cayman · Hong Kong · London · Los Angeles · Madrid · New York · Santiago de Chile · Sun Paulo · Tokyo · Toronto MOST BANKS in Europe are either already enjoying or anticipating enjoying the impact of lower interest rates on their basic business.

Austrian banks are in the first category, having already had a taste of wider spreads as the Austrian National Bank has dared for some months to push a step ahead of the German Bundesbank in lowering

Profits of Bank Austria (BA), the country's largest bank, Jumped 51 per ceut in the first half, to Sch2.01bn, while those of Creditanstalt soared 77 per cent to Sch2.3bn.

Both banks made clear that the gains had to be seen against extremely depressed results last year, and that the profit surge came mainly from trading activities, but they were nevertheless optimistic for significant improvement in the

In spite of this pleasant outlook, there is not much joy in Austrian banking circles these days. Rather, a pail of unfinished business hangs over the scene, leaving a certain amount of anxiety in the boardroom of nearly every major bank.

Rationalisation has been the key theme in Austrian banking for sev-

FEW STOCK markets have

given investors es rocky a ride

as Austria's in recent years. A sparkling bull run in 1989 and

early 1990 was followed by three years of slump, with the

all-share index losing over half

its value in the period from

January 1990 to January 1993. This year, the market has

bounced back, but many inves-

tors remain suspicious of the

uptrend, given the still weak economic outlook for the coun-

In part, the Austrian mar-

ket's high volatility reflects its

small capitalisation and the relatively small proportion of

most companies' shares that are freely available for trading.

It suffices for a couple of big UK or US institutions to adjust

their overall weightings for

Austria by a point or two to

But there have also been

many structural problems - a

lack of active domestic institu-

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that discriminates against

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was showing no signs of emerg-ing from its long decline, Aus-

short time, a strategy commit-

tee was formed under the per-

sonal leadership of Mr Ferd-

move the whole market.

eral years. The country has a ridiculous number of bank branches, one for every 1,340 residents. However, for a long time, most banks were well armed with hidden reserves and state backing, and so could afford to take a fairly relaxed attitude to the hard decisions that had to be taken.

Now, after buge losses in foreign isadventures and, more recently, domestic losses, the big banks are coming to the end of their reserves, and the government wants to sell out. Smaller savings banks, too, are under pressure from nervous local authorities to throw in their lot with larger groups.

The main focus in the past year has been on Bank Austria, the country's largest bank following its creation in November 1991, from the merger of the city of Vienna's Zentralsparkasse savings bank group

BA realised from the start that it had to close about 50 of its 407 branches, but it has had to proceed cautiously because of trade union sensitivities. It has also had immense problems trying to integrate the computer systems of the two banks, and faces a huge proviBanking: rationalisation is the theme, says lan Rodger

Profit, but little joy

Zentralsparkasse pension obligations. By a quirk of history, Zentralsparkasse employees were not included in the otherwise universal state pension system.

Analysts reckon that by the time these matters are settled in two or three years, BA will have completely used up its roughly Sch6bn in hidden reserves. Another area of tension is the

country's large savings bank sector. The problem here, paradoxically, is that rationalisation has proceeded so quickly that it has altered the balance of power in the system. In the mid-1970s, there were over

170 savings banks, and each had a relatively small stake in their large central clearing organisation, Girozentrale. As a result, Giro could dominate the organisation and pursue its wholesale banking business

savings bank groups, Zentralsparkasse and Erste Oesterreichische (First Austrian), bolstered by a landmark court judgment facilitating the sale of savings banks by local authorities, went on acquisi-

Bank Austria realised from the start that it had to close about 50 of its 407 branches:

The result today is that only 80 savings bank organisations remain. and Zeniralsparkasse, now part of Bank Austria, and Erste together control over half of the shares of Giro, since renamed Girocredit.

Being large universal banks in their own right, Bank Austria and Erste have no need of a clearing organisation like Giro and tend to

in capital markets business.

Not surprisingly, Giro has squirmed uncomfortably under these new constraining forces, and has tried various strategms to force its two largest shareholders to sort the situation out. The main proposal, first made

three years ago, was that Bank Austria should sell out of the savings bank sector, and that Erste and Giro should merge. A first round of negotiations in the strimmer of 1991 collapsed in mutual recrimination. and a second attempt is now at a sensitive stage.

It now seems clear that Bank Austria will sell its 31 per cent stake in and at what price? BA put down a marker, when it sold the stake at the end of last year to an affiliate, in order to crystallise capital gains to cover loan losses, at a self-deter-

PT # World Bridges

mined price of Sch400 per share. This would indicate a value of Sch16.4bn for the whole bank.

That is perhaps a bit on the high side, even though Giro's profit per-formance has improved substanprice would be beyond the ability of Erste alone to pay. Its total assets at June 30 this year of Schilston were significantly less than Giro's Sch330bu at the same point.

Moreover, Erste is at best a diffident buyer. It has carved out a successful niche in retail banking, and is nervous about making its life more complicated.

Hence, an effort is being made to form a consortium that would include the other largish savings bank groups from provincial capitals. But it all takes time.

"The 20 key people in the savings bank sector are beginning to under-stand. Now they have to tell 60 others and get their supervisory boards agree," an Erste director

Ownership and control are also live issues at Creditanstalt. The bank's proud patrician management has been eager for several years to

The government cut its capital stake from 60 per cent to 49 per cent several years ago, but it still holds 70.5 per cent of the votes. Last year, as its own budgetary problems mounted, it became more eager to sell, and in November, it emerged that negotiations on the sale of a 20 per cent stake to General Electric of

the US had taken place. These apparently came to naught, and in the spring an attempt was made to merge the bank with the very large Raiffeisen group of co-opcrative banks, with Raiffeison buy-

ing the government's stake. creditanstalt's management 🚓 balked at this project, and the government agreed that it was not a sensible solution. Since then, as a result of the sharp rise in the CA share price this year, there has been much talk of floating the govern-

ment's shares in the market. That is clearly the wish of the bank's management, which would rather not be faced with another strong controlling or influential shareholder. Mr Ferdinand Lacina, the finance minister, is not convinced that it is the hest solution.

"Their interest is not necessarily the same as ours," Mr Lacina says.

The stock market reformers have moved fast

A helping hand for equities

minister, and containing repre-sentatives from all interested groups. "This was deliberate. bankers' club image," one official, working on the committee,

By any measure, the committee has moved with remarkable speed on several fronts. Among the more important measures

An amendment to the Stock Exchange Act was passed in the spring, making insider trading a criminal offence. This came into effect on October 1. Mr Lacina has since said that he will outlaw the use of anonymous bank accounts for securities transactions by the end of this year. This move is a prerequisite to the effective investigation of suspected insider

Meanwhile, leading banks In mid-1991, when the market and brokers have drawn up and adopted a standard compliance code for handling price-sensi-tive information. This is a partrian leaders decided that enough was enough. Within a ticularly important measure, because trading in securities in Austria is dominated by the same three large universal inand Lacina, the finance banks that dominate the new-



For their part, quoted companies are being pressed to adopt fair and timely procedures for disclosing their accounts and other information likely to

issue and corporate-lending have an impact on their share

A series of capital marketfriendly tax reforms was agreed in May, and will come into force at the beginning of next

aged entrepreneurs from taking their companies public, is to be abolished, as is an irritating trade tax. The stock exchange turnover tax will be abolished with respect to securities lend-

ing. Individuals are given special important being an annual taxfree allowance of Sch10,000 invested in equities. Taxation on income from securities and bank savings accounts will be equalised at 22 per cent. Previously, income from securities was more highly taxed.

The Vienna Börse itself has taken a number of steps to make trading more efficient and transparent, and more are on the way. In July, daily trading hours were extended by one hour, and a computerised analytical data base has been set up to promote the equal disnination of information.

A screen-based trading system is scheduled for installation late next year, and the exchange is encouraging companies to simplify their equity structures so that the market in their shares is more liquid.

The exchange is eager to improve, because of the danger

of more trading activity leaking out to the SEAQ market in London. Already five of the largest Creditanstalt, EVN, OMV, Wieperberger and Verbund - are quoted on SEAQ, and analysts estimate that nearly a fifth of trading of their shares is done

The two big outstanding issues for the committee are the establishment of an overall market supervisory body and the stimulation of institutional participation.

The envernment tried to promote institutional participation four years ago, by raising the. proportion of their funds that nsurance companies could put into equities to 30 per cent. But

these companies have remained extremely cautions about exercising their new freedom, and so far have only about 6 per cent of their funds in equities. Analysts agree that they are unlikely to change until the cozy Austrian insurance mar ket becomes part of the European Community market, forcing them to try to get better

performance from their funds. Pension funds are virtually non-existent in Austria. because the government's (unfunded) universal pension scheme covers about 80 per cent of requirements.

As for an Austrian securities and exchange commission. everyone agrees that there is a need for such a body, but Mr Lacina, for one, is worried about using a sledgehammer to

crack a nut. "We do not want an over-bureaucratic system, he said in a recent interview.

The reform process suffered a serious blow last spring with the death of Mr Helmut Haschek, chief executive of the Austrian Control Bank (OeKB), the clearing house for the

However, Mr Johannes Attems, another OeKB director, says anxieties about the loss of Mr Haschek's drive and influence on the process are misplaced. "Once you get a critical mass of things moving, then the whole process gains momentum and cannot be reversed," Mr Attems says.

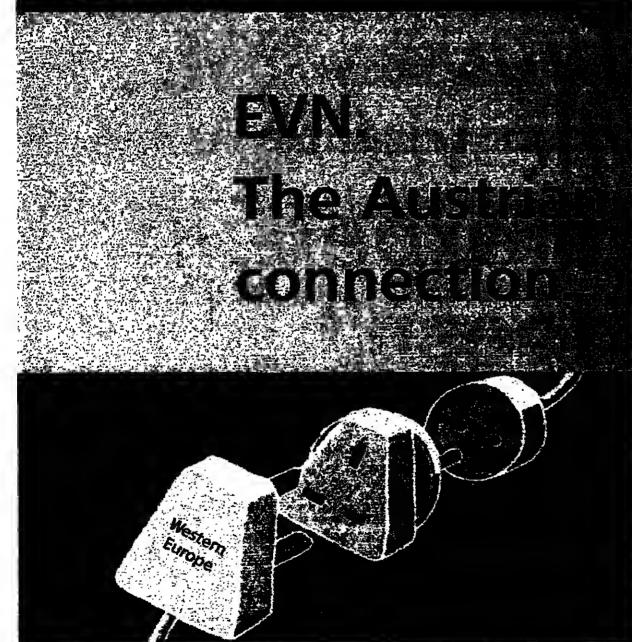
He adds that government leaders understand the urgency of reform.

"We are going to have some \$100bn - \$150bn in privatisation projects in the next five years in Europe. Private capital has to be attracted.

We in Austria are competing with other capital markets. If we want the large Anglo-Saxon institutional investors in our market, then we have to adopt their rules, make it easier for them and provide better opportunities for them than elsewhere in Europe.

We also have to tell the Austrian investor that he should invest more in equities, and not just Austrian equities."

ian Rodger



gnore for one moment its geographical advantages, and EVN would still be an

It is one of few European electricity and gas companies with domestic growth prospects.

Having already diversified into upstream energy interests, it is actively exploring further

long-term growth, it is no wonder that EVN is

already one of the most traded shares on the

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ADR facility in the United States.

Now consider EVN's proximity to Austria's with Hungary, Slovakia and the Czech Republic As the Eastern European markets up and Western Europe seeks doser

links for the future, it is ideally placed to make the necessary connections. Indeed, as the divide closes, EVN is ready to multiply.

The media

Cable bypasses the monopoly

A COUNTRY like Austria, which lives in the shadow of a much larger country that shares the same language, is bound to have trouble maintaining its national media.

Technological advances and economic liberalisation have made it almost impossible to protect a national media, but the government goes on trying. Austria is one of the last countries in Europe with a state broadcasting monopoly. Neither private television nor radio stations are allowed, and the Austrian Broadcasting

ernment mandate to air quality documentaries as well as important cultural events. This has made two-channel ORF perhaps the most respected German language television groop, but not the

Corporation (ORF) has a gov-

In the oewspaper sector, most of the papers that were backed by political parties have recently folded, but the government is still spending more than Sch200m a year to subsidise a handful of dailies with smaller circulations. Even so, the days of a dis-tinctively national media

Austria joins the European Community or not. Through the growth of cable television, more than half of Austrian households can watch German TV channels,

including the popular commer-cial stations like SAT 1 and And in recent years, German newspaper concerns, looking for an opportunity to invest excess cash, have bought large stakes in some of the largest Austrian publishing groups. It all started in the mid-

1980s with a quarrel between the co-owners of the largest tablold daily, the Kronenzeitung. Hans Dicband was looking for someone to buy out his long-time partner Kurt Falk for Sch2bn, and finally found Westdentsche Algemeine Zeitung (WAZ), a large

German newspaper chain. WAZ then went on to invest in Kurier, the second-largest daily, which also owns several important magazines. This created the media group with the highest market share anywhere in Europe. Other German media groups

immed in. Axel Springer Verlag, in 1988, helped launch the

the country's largest quality daily, and took stakes in other newsprint products. As many papers are currently losing money, they depend financially on their German sugar

Even bigger changes are happening in the electronic media. Standing on the verge of EC membership, Austria knows that it cannot maintain the ORF monopoly for long. But the legalisation of private broadcasting has been stymled by a battle over influence and ideology between the two main political parties, the Social Democrats (SPO) and the conservative People's

Party (OVP).
The Social Democrats, who dislike commercial television, want to permit a private channel to co-exist next to the two ORF channels. Conservatives argue that the advertising pie is much too small to support three Austrian channels. So they want ORF to spin off its second channel to private investors, a move strongly

ship. Meanwhile, a power struggle has begun at ORF following the retirement of veteran chairman Gerd Bacher. Stroog-willed and politically aware, Mr Bacher had improved ORF's financial fortunes by cutting costs and boosting the state-regulated

advertising revenues.

His successor, however, will have to do more to guarantee the group's survival amid growing competition. He will have to cut down on the vast bureaucracy and curtail political interference in personnel decisions and content.

A law permitting private radio stations will finally come into effect next year, but its terms are controversial. Foreign participation will be limited to 25 per cent, and most of the new stations are likely to be controlled by the large newspaper groups and quasi-governmental institualready high concentration of media power.

The small independent radio stations that set up across the border in neighbouring countries and broadcast into Austria are likely to fold.



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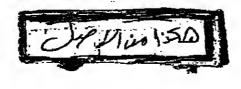
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THE PRESS

Newspaper's capital move

MONTERREY boasts not just Mexico's leading companies, but hy common repute, tha country's most profitable and

best-run newspaper, El Norte. El Norta reads and looks more like a Texas newspaper than one from Mexico. It is printed in colour, makes liberal use of photographs and graphics, and contains about eight sections a day, all thick with advertisements.

News articles are generally brief and the style is plain, while the editorial line is promarket and pro-business. The offices in the centre of Monterrey are sleek and modern, and everything, from writing to editing to graphics, is done on computers.

The paper is proud of its independence from govern-ment, and takes delight in exposing fraud in slections. Unliks many journalists in Mexico City, El Norte reporters do not accept money from departments they cover, do not work on commissions for the advertising departments, and are paid a reasonable salary.

The owners of El Norte are now about to publish a Mexico City newspaper, with an initial

The paper is proud of its independence from government

investment of \$50m, which tal the same standards that have helped the Monterrey newspaper's morning circulation rise to certified 145,600. The paper, to he named Reforma, will come out on November 20, the day Mexico celebrates its 1910-20 revolu-

Mr Alejandro Junco, pnb-lisher and (with his family) the owner of El Norte, believes there is a tremendous business opportunity for a new newspa-per in Mexico City, with readership levels about one eighth of those in Monterrey. The paper, he says, will be similar to El Norte, and carry sections on local issues, consumer prod-ucts, real estate, food, as well as standard ones on sport and

The project has already raised questions in Mexico City about whether a commercial, brash approach to news and culture will go down in the capital, which likes to think of itself as a little more civilised than compatriots in the north, and less consumer-orientated.

Mr Raymundo Riva Palacio, an editor of the independent daily El Financiero, says: "El Norte is effective in the society of Nuevo Leon, but you cannot translate this to Mexico City. The reader in Mexico is more sophisticated, more interested in international affairs, his knowledge of arts is more profound. He demands longer articles and more political analysis than that offered hy

El Norte Mr Junco contends that existing Mexico City newspapers are so concerned about developments in politics and the bureaucracy that they lose sight of the middle-class concerns of their readers. He believes that the paper's inde-pendence and objectivity will gain readers, and claims to have lined up some top-rate political columnists to increase the paper's appeal to a Mexico City readership.

Mr Riva Palacio questions whether Reforms will be able to maintain its independence as effectively in Mexico City as El Norte does in Monterrey. "It's one thing being told off by the minister of interior in the state of Nuevo Leon, another by the minister of interior for the whole country," he says. Reforma's ability to with-

stand commercial and possibly political pressures received a hlow several months ago when the Dow Jones company, pub-lisher of the Wall Street Journal, pulled out of talks to acquire a 49 per cent stake in the newspaper. The negotia-tions failed after Dow Jones insisted on the right to buy out or be bought out by its partner in the event of a disagreement a condition Mr Junco refused. Mr Junco still bopes to use

Dow Jones news for coverage of the US and international financial news, and the two companies may reach some agreement on sharing advertising revenues in the Mexico City-based newspaper.

The entry of Reforma promises to shake up the Mexico City newspaper industry, which is already going through heavy restructuring. Mexico City boasts more than a dozen mainstream daily newspapers, well under 100,000. The majority servive only thanks to subsidies from their owners or from the government.

In a largely successful effort to manipulate the press. Mexico's state and federal government departments pay heavily for advertisements that appear as news articles, advertisements that serve no obvious purpose, and often subsidsalaries of journalists through the monthly embute (envelope) of cash. Such practices ensure ample coverage of favoured political leaders, hut may explain why newspaper readership is so low.

However, some government departments are now cutting back subsidies, reducing generous printing contracts, and are putting an end to the practice of embutes. Private sector advertising is falling as a result of the economic slowdown, and almost all newspa-

pers are feeling the pinch. In a sign of the economic difficulties of the press, the government recently put up for sale the stata-owned El Nacional newspaper, but found no-one willing to meet the eral other newspapers are now up for sale and La Jornada, the favoured paper of the leftist intelligentsia, is seeking a capi-

Other newspapers are seek ing foreign partners to help them out in the battle for readers and advertisers. La Prensa Mexico's top selling tabloid daily, was recently sold to a group of investors that include Mr Jesus de Polanco, Spain's most powerful media baron. The US media group Capital Cities/ABC has just bought Mexico's largest bu

Even competitors concede El

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PULSAR

Burning desire for new markets

PULSAR'S chairman and founder, Mr Alfonso Romo Garra, is not pleased to have his company described as a conglomerate. Pulsar owns Mexico's higgest cigarette company, Moderna. It now has 22 per cent of the country's insurance market, thus making it, he says, the largest Latin American insurance company. It has an agricultural company, carpet manufacturers and a stockbroker. But, insists Mr Romo, it is not a conglom-

There is no doubting that it is an unusual company. Pulsar's companies' annual revenues total \$2.5bn and they employ 23,000 people, hut Pulsar's headquarters in Monter-rey have just 25. This is a highly decentralised company," says its chairman.

southern rivals in selling

advertising and distribution.

Mr Junco says with some pride

that Reforma will be the

world's first newspaper with

"flexible manufacturing". A

reader can, if he wants, cus-

tomise his newspaper to

receive two copies of the sec-

tion on sports and no copy of

the section on food and drink,

The core of the company and the key to its growth from nothing since 1981 - is its highly profitable clgarette business, which it claims has 55 per cent of the market. It has the Mexican brand leaders such as Raleigh, Viceroy. Finesta and Montana but also has the Mexican rights to dis-Damian Fraser | tribution of international



Alfonso Romo Garza: new markets in eastern Europe and China

hrands: Winston, Salem, Camel, Dunhill and Gitanes. Mr Romo acquired control of the company from Grupo Carso, the company of Telmex magnate, Mr Carlos Slim. Now, thanks to the deregulation of cigarette prices in the past two years, cigarette prices - and therefore profit margins - have

risen dramatically. Mr Romo's motivation for moving into the insurance business is based on his belief that the Mexican economy is heavily underinsured. Premium income is equivalent to just 1.2 per cent of gross domestic product, compared with up to 8 per cent in industrialised countries and in some other Latin American states. If Mexico grows, therefore, insurance premiums should grow

His interest in agriculture derives from the company's connection with tobacco farmers. Almost all Moderna's tobacco leaf is sourced in Mexico. The company therefore has links with farmers of 20,000 hectares of tobacco. It also has developed relationships with 10,000 hectares of fruit and vegetable growers, with an eye on the export market. Some ohservers doubt the synergy of these two elements of the company's husiness, but Mr Romo is enthusiastic ahont recent agricultural reforms which he helieves will further help this side of the husiness - hy increasing the availability of

credit to farmers for example. Mr Romo does not seem inclined to let his business stand still. In particular, he is enthusiastic about the prospects of new markets overseas for the cigarette company. Having sought areas where he could compete on an equal footing with the US tobacco giants, he has identified markets in eastern Europe, Russia and China for expansion.

THE TEC

Institute means business

IF MONTERREY'S hig new manufacturing technol-companies are still for the ogy. most part owned hy its old families, they are to a large extent run hy the product of one institution: the Monterrey Institute for Technical and Higher Studies, known as the "Tec". The institute was created 50 years ago to provide engineers for city industry and its approach today remains

Now the Tec has 62,000 students on 26 campuses throughout Mexico, 14,000 of them in Monterrey. It has a \$200m a year hudget, 30-40 per cent of which comes from companies and the rest from tuition. The Tec's alumni are to be found all over Latin America.

But important though training of engineers is for Mexico. the work of the Tec does not end there. It sees its husiness as preparing Mexican husiness for the challenges it faces, in the area of management, of technology and the environ-ment. The Tec's Competitiveness Centres have been established to look at productivity issues; its research, usually sponsored by Mexican companies, aims to keep abreast of

ogy.

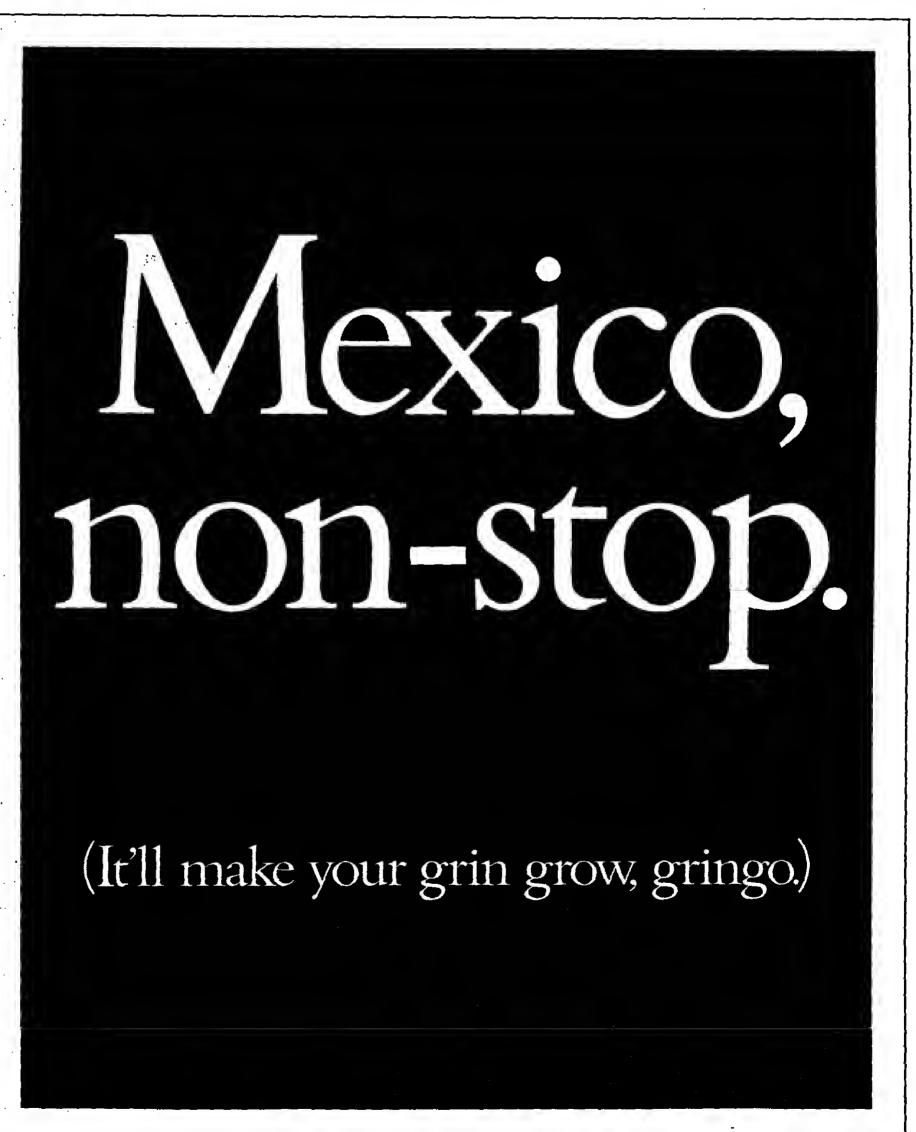
A recent visit to Monterrey showed researchers studying the use of robots in flexible manufacturing processes and the manufacture of plastic products - such as chain links and artificial hip joints - in a single process without the

necessity to make joins.

Mr Rafael Rangel, the Tec's president, expresses a concern increasingly heard in Mexico: the ahility of small- and medi-um-sized companies to survive in an open economy. These reasonably-priced credit, management techniques and to new technology.

"We have a problem with productivity and we have a long way to go. Some people blame only the exchange rate, hut there is more to it than that It's not just a matter of labour, the owners have to be convinced that they can improve productivity by training and through new produc-"Medium-sized and small

industry is most affected. Large industry is going to survive very well."



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l voters who sup-

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t new PM

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th parties are willisks with inflation. res, as Mr Marek te SLD politician in e economy, knows uld risk a worsenons with the IMF. 1, could jeopardise ly needed 20 per n the country's to western governo be implemented The fact that the remains Poland's duling agreement ated with western banks owed o puts a premium

pouent, which und a third of the / party, could prois for a left-wing the party's free such as Mr id Mr Wieslaw ie new privatisanittle away at the

1 the PSL, amhi-

stringency. the SLD's trade

as jealous of Mr oric rise promise party's demands ouring farmers. ns at the top of re SLD - includ-, the politically as stayed out of nt - appear to phistication to amon front and d rivalries from ne new governthe social presernment faces . to contain, as to yearn for the ement in their ving that the promised, hut Sara Webb assesses the investor view of an emerging market that is growing up fast

Hopes for an upgrade in rating

ment grade spreads than to the

sub-investment grade that new

Mexican issues are rated hy

However, Mr John Purcell,

director of emerging markets

research at Salomon Brothers,

notes some signs of investor

resistance to the ever-tighter

vield spreads at which new

investor demand for Mexican

paper has been driven by the desire for high-yielding paper,

given that US interest rates are

st their lowest levels in 18

in the market in a much bigger

way than a year ago: they like

the high yields and many of

the investors have been mak-

ing the effort to do their home-

work on the region so they feel

more confident now about

investing there," says one Mex-

Some investors hope to see a

further rally in bond prices

(and narrowing of yield

spreads) if Mexico's credit rat-

S&P rates Mexico's sover-

elgn foreign currency debt as

BB+, the highest category of

sub-investment grade, whereas

Moody's, the rival interna-

tional credit rating agency,

rates it Ba2, which is one notch

below S & P's equivalent rat-

ing. Meanwhile, Duff & Phelps,

a less closely-followed rating

agency, has assigned an invest-

ment grade rating of BBB to

Mexico's foreign currency debt.

long-term peso-denominated

debt, the discrepancy is

In the case of sovereign

ican analyst.

ing is raised.

"Institutional investors are

issues are launched

Standard & Poor's (S&P)."

Mexico is growing up fast. international investors have had a wide array of Mexican equity offerings and high-yielding bond issues from which to pick and choose for their Latin American portfolios over the past couple of years. And as a further sign of "maturity" those Mexican companies which bave come into close

contact with the international

investor fraternity have taken

steps to improve the quality of

information they provide.

Now, investors are bolding their breath for a decision on the North American Free Trade Agreement (Nafta), which the optimists believe will eventually be passed by the US Congress. Once Nafta is out of the way, Mexico could well see its credit rating - a sensitive indicator of a country's standing in the eyes of the international investor community - raised from specula-

tive to investment grade. Hopes of e rating upgrade have already helped to underpin the performance of Mexican honds; if and when an upgrading eventually happens, far wider range of investors will be able or more willing to invest in Mexican debt.

Mexican names have been American issuers of new debt and equity, accounting for about 40 per cent of total new eurohond issuance from the region as companies refinanced existing borrowings or raised money for further expansion. in the first nine months of

1993. Mexican horrowers raised a total of \$5.909bn in the eurobond market, according to IFR Securities Data, compared with a total of \$4.098bn in the whole

This year has seen the launch of larger, more liquid bond issues, including a \$1bn, five-year issue from Cemex, the largest cement company in Mexico, in May, and a \$750m eurobond from Bancomer, Mexico's second largest bank, in June. Such liquidity has been warmly welcomed by international investors.

in addition to bigger issues and greater liquidity, the international capital market has seen a far greater variety of Mexican borrowers, some of

Mexican Eurobond Issues 1992-1993*								
lesuers	issue amount (US\$m)		No of					
Mexico, The United Mexican States	1,580.78	15.8	10					
Çemex SA	1,400.00	14.0	3					
Bancomer SNC	750.00	7.5	1					
Nacional Financiera, SNC (Nafinsa)	724,22	7.2	8					
Grupo Financiero Banamex Accival, SA de	700.00	7.0	а					
Banco Nacional de Comercio Exterior SNC	475.18	4.7	3					
Grupo Televisa, SA de CV	400.00	4.0	3					
Fomento Economico Mexicano de CV	300.00	3.0	1					
Desc. Sociedad de Fornento Industrial SA	275.00	2.7	2					
Volkswagen AG	262.81	2.6	1					
Empresas ICA	225.00	2.2	1					
MCTTR Trips	207.50	21	1					
Banca Cremi SA	200.00	2.0	2					
Hvisa SA de CVA de CV	175.00	1.7	1					
Consorcio G Grupo Dina SA	150.00	1.5	1					
Empresas la Moderna SA de CV	150.00	1.5	1					

whom the international investing community regard as "second tier" names, but which have nevertheless succeeded in raising funds.

* Until Ocrober 12, 1993

Despite a setback in the performance of Latin American bond issues in the autumn of 1992, when investors suddenly panicked at the thought of just how much new issuance was likely to hit the international

Latin	Ame	rican	Eurobone
is	sues	1992	-1993

Issuer country	Total (US\$m)
Mexico	10,008.0
Brazil	7,335.0
Argentina	4,844.7
Venezuela	2,063.1
Colombia	375.0
Uruguay	240.0
Chile	221.8
Guatemala	60.0
Total	25,147.6
Sour	ce; IFR Securitors Cata

capital market, yields have continued to fall in the secondary market, and borrowers have been able to launch deals at increasingly more aggressive levels.

One Mexican sovereign issue, the 7.25 per cent issue due 1998, was sold in March et 208 basis points over the US treasury bond, and the spread narrowed to es little as 130 basis points in September before widening out slightly thereafter. As Mr Paul Luke. head of emerging market debt research at Morgan Grenfell, points out: "Such a spread is closer to US corporate invest-

Issuers .	issue amount (US\$m)		No.
Telefonos de Mexico, S.A de C.V.	1,243.17	31.2	
Bancomer SNC	638.00	16.0	
Cernex SA	480.93	11.6	
Empresas ICA	283.80	7.1	
Grupo Carso	235.04	5.9	
Grupo Trituradores Beselticos (Tribasa)	210.80	5.3	
Consorcio G Grupo Dina SA	173.15	4.3	
Grupo Embotellador de Mexico SA de CV	138.80	3.5	
Coca-Cola Co	134.50	3.4	
El Puerto de Liverpool SA de CV	133.75	3,4	
Sears Roebuck & Co	101.71	2.6	
Transportacion Maritima Mexicana	75.68	1.9	
Grupo Radio Centro SA de CV	52.25	1.3	
Grupo Simec, SA de CV	42.56	1.1	
Quadrum SA	34.22	0.9	
Grupo Posadas	28.09		

greater: S&P rates it AAwhile Moody's rates it Baal. Mr Purcell of Salomon Brothers, says S&P is altogether far more optimistic ebout Mexico's creditworthiness and argues that an upgrading of the rating for foreign currency deht could take place in the second half of 1994. "We helieve that Mexican sovereign deht should be

This year has seen the launch of larger, more liquid bond issues, including a \$1bn, five-year issue from Cemex

regarded as virtually investment grade, even in terms of foreign currency obligations. We agree with S&P that the policy process has encountered difficult tests in 1992 and has passed them with flying colours, exhibiting both flexibility and consistency. To the list of accomplishments mentioned by S & P (fiscal policy and flexible exchange rate policy) we would add the renewed emphasis on education, the solidarity programme and agricultural reform among others," says Mr

For both S & P and Moody's, the sovereign debt rating provides an effective ceiling for the credit ratings for Mexican corporate borrowers, even though analysts argue that certain Mexican companies deserve better credit ratings in their own right. "Some of the

big Mexican companies would be as good as e double-A credit in the US if they weren't impeded by the country rat-

ing," says one analyst.
The key point is that if Mexico receives an investment grade rating, e much wider range of investors will be free to invest in Mexican debt. IIS insurance companies buy quite small amounts of Mexican debt at present, deterred by the fact that they must set aside capital because the debt is not investment grade: if that changes, they will be able to increase their exposure to high-yielding

bonds significantly.
While the international capital markets are set to see plenty more new bond issuance in 1993 and 1994, the volume of international equity issuance has slowed down when compared with the volumes seen in the early 1990s. This is largely a reflection of

than a sign of poor investor appetite If anything, Latin American equity specialists predict that demand for new international equity issues should remain fairly firm given the ever-growing number of emerging market funds and a perceptible

the absence of substantial pri-

vatisations during 1993 rather

non-US markets. Mexican international equity offerings amounted to \$3.103bn in 1992, boosted by a \$1.243bn offering from Telmex, the Mextelecommunications group, and large share offer-

shift of US investors into

However, the deluge of new issues in 1992 came to e halt in the summer due to difficult market conditions and worries about too much supply. Some planned issues were put on hold and the calendar only really picked up again at the beginning of 1993.

Total volume so far in 1993 predominantly from private sector companies - amounted to \$882.56m, according to IFR Securities Data, and included issues from Grupo Carso, Mexico's largest industrial conglomerate, Grupo Tribase, Mexico's second largest construction company, Grupo Dina, Mexico's largest truck manufacturer, and Coca-Cola Femsa, the Mexican soft drinks

Generally, Latin American analysts report that new equity issues have gone quite well, even though the etock market has been vulnerable to Nafta sentiment. If Nafta goes through, analysts expect to see a further \$2bn of issuance unleashed over the next year.

The variety of new issues has been accompanied by a noticeehle improvement in reporting procedures and provision of information, analysts say, dictated partly by the US regulations governing the list-Receipts (ADRs).

Latin American equity

Issuer country	Total (US\$m)
Mexico	3,986.5
Argentina	3,461.3
Chile	337.0
Panama	303.8
Venezuela	169,2
Brazil	132.5
Colombia	53.6
Total	8,443.6
San	ner IED Securities Date

Many investors were justifiahly peeved when Cemex launched an international equity offering in 1992 and promptly used the proceeds to make acquisitions in Spain. investors who had bought the shares because they wanted a Mexican stock were annoyed to find they had bought exposure to the Spanish economy instead.

It was not a happy chapter in investor relations: however. Mexican companies have probably learned from the episode, and analysts admit that Mexico today is probably among the best of the emerging markets in terms of disclosure.

BANKING

Cost of credit is still too high after privatisation

THE EUPHORIA that followed the privatisation of Mexico's 18 state-owned banks has come to an end.

Last year and the year before Mexico's business elite paid out \$12.4bn for the banks -paying around 3.1 times book value - in the belief that the economy would grow by at least 4 per cent a year, and the financial sector by twice that. The rosy forecasts have turned out to be too optimistic.

The economy is almost stagnent, loan losees have increased sharply, and the banks have had to increase their provisions. Profitability, while still high by international standards, has begun to fall, as measured by a return

on assets or equity. The private sector, which had hoped privatisation would cut funding costs, has com-plained about the persistently high spreads between lending and borrowing. The government has responded by authorising nine new banks this year, and seems set to authorise several more next

The troubles in the banking sector have already provoked a shake-out. Three financial groups have merged: Banca Cremi and Banco Union, two multiregional banks; Bancreses and Banoro, a multiregional and regional bank; and Afm and Bancrie, a brokerage and bank. Other mergers, or alli-

ances are expected. Bancomer and Banamer, Mexico's two largest banks, areundertaking sweeping changes to make themselves more competitive. Mr Ricardo Guaiardo. chief executive of Bancomer; says Bancomer will reduce staff by 6,000 out of a total of 40,000 this year, but net cuts will be deeper, because slow economic growth has reduced by about half the numbers of new branch openi

The banks will face still more pressure next year when Mexico is expected to allow foreign competition. If Natta is agreed by the US Congress, US

and Canadian banks, and other foreign banks with subsidiaries in the US and Canada, will be permitted to set up hranche over 10 years. If Nafta is not approved, Mexico will still en up, probably in the form of bilateral investment treaties

"It is in the interest of Mexico to have financial intermediaries from abroad," SEYS Mr Guillermo Ortiz, the under minister of finance in charge of banking regulation. While foreigners are not expected to open many bank branches. they will probably cherry-pick the most profitable segments in the corporate and retail sec-

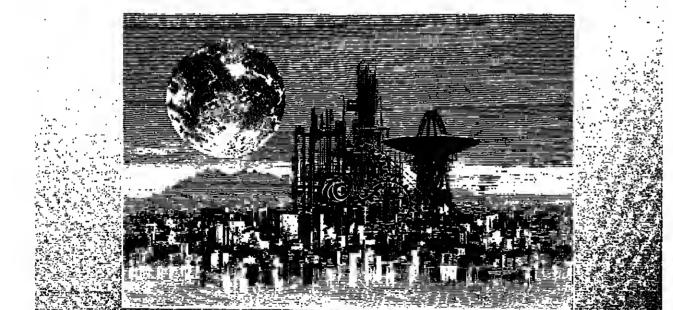
Under present law, foreigners in the aggregate are allowed up to 30 per cent of a financial group, which may increase to 49 per cent under the new foreign investment law. So far the Bank of Nova

The economy is almost stagnant, loan losses have increased sharply and the banks have had to increase their

provisions Scotia of Canada has taken a 5 per cent stake in Comermer-inveriat: Spain's Banco Bishao-Vizcaya a 20 per cent staka in Mercantil-Poburse; and Spain's Banco Cantral Hispano a 20 per

cent stake in Prime-Internacional. The banks are in trouble largely because they have little experience in lending to individuels and businesses. In the 1980s, the banks lent most of their money to the public sector and hardly anything to the private sector. Now the public sector has largely stopped borrowing, while credit to the prite sector has exploded - up 327 per cent from 1999 to 1992.

While spreads are higher on chance of default. With the economy stagnant, growing



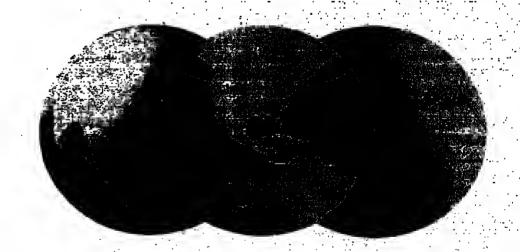
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N THE next two months Mexico's ruling party will unveil the candidate to succeed President Carlos Sali-

The chosen man will, in all likelihood, win next August's presidential alection. If the past is any guide, he will rule Mexico with unfettered power for the next six years.
While the decision is nomi-

nally thet of the ruling Institutional Revolutionary Party (PRI), Mr Salinas is expected to anoint his own successor, just as all his predecessors have done. The PRI will then formally nominate the chosen

So far President Salmas has allowed three candidates to emerge as front-runnars; Mr Line Donaldo Cotoeio, the social devetopment minister, and the favourite, Mr Manuel Camacho, the mayor of Mexico City; Mr Pedro Aepe, the finance mmister. Mr Ernesto Zedillo, the education minister, a fourth candidate, is considered the dark horse, but with an outside chance.
The candidates share much

in common: they are all in their 40s, were educated at US graduate schools in economics or public administration, worked under Mr Salinas in the budget ministry in the mid-1980s, and played an important part in the reforms of the past five years. Whoever wins is likely to appoint a cabinet reasonably similar to the present

 $v \in \mathcal{F}_{p^{-1}}(\mathcal{F}_{p^{-1}})$

On the economic front, all candidates will offer some con-tinuity with the Salinas policies. As Manuel Camacho, perhape the candidate least identified with Mr Salinas's economic reforms, says: "The economic changes are here to stay. No-one would overturn

Since candidates publicly support everything the president does, no-one can be sure how they will behave if elected to the top office - and in the past most predictions of presidential performance have been far from accurate. Nevertheless supporters of each candidate have been husy defining the differences between their boss and the rivals, in an effort to sway political opinion behind their preferred choice.

Mr Aspe is seen alternatively as a powerful advocate of economic reform with an ability to make tough decisions, and as politically inexperienced and out of touch with Mexico. Mr Camacho is viewed by supporters as the candidate of democracy, the man who can bring

The men who would be president



Luis Donaldo Colosio: the only candid

· in economic

legitimacy to the political sys-

tem, and by rivals as a danger-ous populist with no experi-

administration.
Mr Colosio is the self-styled

candidate of continuity and

decentralisation. But oppo-

nents question his achieve-

ments to date, and ask if he is

clever enough to run the coun-

The public defining of candi-

over Mr Salinas's candidacy.

The views of the business

and labour sectors, foreign

'The economic changes

are here to stay. No-one

would overturn them'

investors and the US, even per-

haps the army, have to he

taken into account. More so

than in the past, the candi-

date's public appeal needs to

be considered. A convincing.

legitimate victory next August

would help erase the memory

of 1988's fraud-tainted result.

and give Mexico's political sys-

tem some much needed legiti-

However, the final word in

the past has been the presi-

dent's: His power is such that

he can always rescue a candi-



Menuel Camacho; has a keen sense of



Padro Aspa: likely to be supported by businessmen and foreign investors

Damian Fraser discusses the strengths and weaknesses of the likely foursome awaiting the final word from President Carlos Salinas

this is considered unlikely.

While this would have the

attraction of reducing uncer-

tainty associated with the

Nafta vote, an unveiling hefore

Nafta would take power from

the president when he may

Finally, the president could stick to the original pro-

gramme, and wait until after

his Asian visit, or even after

the New Year. This would

break with past practice of

selecting a candidate at least

nine months before the elec-

Mr Aspe's claims lie in the

economic realm largely

because as finance minister he

is given credit for economic stability, and Mexico's return

to favour in international capi-

tal markets. He is likely to be

supported by businessmen, for-

eign investors, some old-style

politicians in the PRI that

approve of his strong hand in

implementing policies, and

members of the centre-right

Party of National Action

estranged from their candidate.

expected to press ahead with structural economic reform.

Colleagues say he would be

likely to overhaul the social

security system, change labour

laws to make them more flexi-

hle, and instigate a thorough

shake-up of the legal system.

As president, Mr Aspe is

need it most.

Pedro Aspe

versely, a candidate that falls out of presidential favour, often finds himself losing support with one group or another, and being considered unsuitable.

dates a considered important, because each has to be seen to Even a candidate with little be credible before becoming rapport with the public would eligible for the presidency. He still be favoured to win next has to enjoy some support August'e election. After 64 conwithin the PRI or political clastinuous years in power, the ses - especially after 1987. PRI enjoys huge advantages when the ruling party split relative to other parties in terms of resources and control over the media.

The president of the PRI has said that the nomination will be made in January, but Mr Salinas may not be able to wait that long. The uncertainty is already driving many members of the government frantic, and the in-fighting between rivals is hurting the administration. There are widely assumed to

be three possible scenarios for the date. The most likely is between November 17, the date of the vote on the North Amer-lcan Free Trade Agreement, and December 12, when Presi-dent Salinas goes off on a 10day trip to Asia. It is thought unlikely the president would leave the country for 10 days without having cleared uncer-tainties over the succession. The losing candidates could be invited with the president on the Asian visit, keeping them

date who is in trouble, hy praising him in public, inviting him on a trip, or, as bappened from stirring up trouble. The president could decide to choose the candidate before to Mr Camacho recently, to lunch in a public canteen. Conthe vote on Nafta, although

The Salinas-inspired reforms in education, agriculture and commercial de-regulation His supporters say he would

guarantee macro-economic stability and offer the most attractive economic environment for foreign investors. Says a colleague of the finance minister. 'Mexico will need a buge amount of foreign resources to grow by 5-6 per cent a year - around \$20hn-\$30hn a year... We will only get that with a 100 per cent record in macroeconomic performance... We cannot deviate one single inch from macroeconomic orthodoxy - if we [deviatel the money will not he

Mr Aspe in recent speeches has been emphasising the

The in-fighting between rivals is hurting the administration

social aspects of economic reform. His newly published book, Economic transformation: the Mexican Way, makes the case over and over again that economic liberalisation releases money for anti-poverty programmes, and increases opportunities for people from all backgrounds.

Mr Aspe's perceived weakness is lack of political experience, a certain patrician air borne from his aristocratic background, and identification for austere economic policies that have left many Mexicans worse off. He is seen by some as too pro-American, too unwilling to make concessions to politically important interally close to Mr Salinas's circle of friends, who may not fully

In a difficult economic situation this could spell trouble Mr Cuauhtemoc Cárdenas is likely to focus the electoral campaign around the costs of economic stabilisation, the concentration of wealth under the Salinas administration, and the sacrifice of sovereignty in the process of negotiating the North American Free Trade Agreement. As the architect of economic policy. Mr Aspe is dentified with all these poli-

Manuel Camacho

Mr Camacho, the son of an army general, an old univer-sity friend of Mr Salinas, and former political science professor, is at the other end of the spectrum. He has a keen sense of Mexico's national identity. as mayor of Mexico City is not associated with Nafta, and has good relations with the Mexi-

He would try to strike some kind of pact with Mr Cuauht-emoc Cardenas, the candidate of the left, that could ensure a

fair and transparent election. Mr Camacho clearly sees this as the issue of the day. He stresses that "legitimacy is something very important in the consolidation of our changes". He is widely reported to have pushed for more far-reaching political reforms than those passed by the PRL in the hope of winning approval for them from Mr Cardenas.

He says recent moves to censor Mr Cárdenas from radio stations "were political errors" and that it is essential the elections next year are peaceful and calm.

But even his own team is nervous over how financial markets would react to his candidacy.

His economic policy would look after those who have not done so well under the Salinas presidency. He refers to an "industrial and agricultural policy that would protect employment". He is said to find economics horing.

Mr Camacho also has important enemies. He is not close to Mr Jose Cordoha, the president's powerful chief of staff, to the old-style politicians who distrust his concillatory approach to the opposition, oor the technocrats in the finance ministry, and other

Continued on page 8

DIEGO FERNÁNDEZ DE CEVALLOS

Skilful political negotiator

DIEGO FERNANDEZ DE CEVALLOS looks more like an Old Testament prophet than the presidential candidate of Mexico's centre-right opposition party.

He is tall and erect, sports a long and sometimes shaggy heard, and has a booming voice. He happily pontificates on religion, the spiritual renewal of Mexico and the moral responsibilities of a politician, but has few specific sug-gestions on what he would do were he elected. When arriving late for an

interview, he explains that he has been legally recognising an illegitimate son he never knew about. A Jesuit-educated practising Catholic, Mr Fernández de Cevallos had, by his own admission, a wild youth before discovering marriage.

His messianic manner disguises a skilful political negotiator who has worked his way up the National Action Party to become the party's leader in the Chamber of Deputies. He is backed for presidential candidate by almost all the leading figures in the PAN.

He owes his position partly to luck and some skilful political manoeuvring. All the well-known national leaders of the PAN, such as the gover-nors of Baja California and Chihuahua, decided not to run some time ago. The other main contender, Mr Vicente Fox is the son of a Spanish-born parent, and thus inadmissible under Article 82 of constitu-

> As the party's top official in Congress, he has become leader of the PAN's conciliatory wing that supports close co-operation with the Institutional Revolutionary Party (PRI). He almost single-hand-edly negotiated with the PRI the political reforms, which while approved by the PAN, were opposed by the Party of

Democratic Revolution (PRD). His negotiations with PRI have been long criticised by those in the PAN who argue the party should be more confrontational in the fight for democracy. Last year several leading members of the PAN including a former presidential



Diego Fernández de Cevallos: wild

candidate and head of the party - resigned, complaining that "the party has not acted as the opposition hut as one more sector of the system".

His candidacy is widely considered a boost to the fortunes of the much better known Mr Cuauhtémoc Cárdenas, of the PRD. While the PAN is better organised than the PRD, and electorally more successful, Mr Fernández de Cevallos is hardly recognised outside political circles in Mexico City, and his public support for the government may put off those wanting to register a protest vote against the PRI.

He has modest campaign experience, and his patrician, eccentric manner, might alienate some ordinary Mexicans. So far he has been mept et handling the press.

Far from heing defensive about his good relations with the government, Mr Fernandez Cevallos cheerfully describes President Carlos Salinas de Gortari as the best president Mexico has had. He hangs in his office a signed photograph of Mexico's former interior minister Fernando Gutiérrez de Barrios, a stalwart member of the ruling PRL

Mr Fernandez de Cevallos says that by negotiating with the PRI, the PAN has extracted important concessions. Under the recently passed electoral reform, the PRI agreed to long-standing PAN demands namely, to open up the Senate to opposition parties, make electoral bodies more independent of the government, and cap campaign spending.

et new PM net

ural voters who sup

be PSL, and those in ssion-struck towns who the SLD, are looking rible, and rapid, ecoimprovements. Eleı both parties are will. ke risks with inflation. i, the SLD politician in f the economy, knows would risk a worsendations with the IMF turn, could jeopardise ately needed 20 per t in the country's eht to western governue to be implemented r. The fact that the ink remains Poland's urce of capital - until scheduling agreement gotiated with western ial banks owed also puts a premium ary stringency. component, which

tary party, could profocus for a left-wing e to the party's free rs, such as Mr and Mr Wieslaw k, the new privatisater who promises to o whittle away at the

around a third of the

v, in the PSL, ambiicians jealous of Mr aeteoric rise promise neir party's demands ; favouring farmers. ticians at the top of id the SLD - includider, the politically ir Alexander Kwas he has stayed out of iment - appear to sophistication to common front and ernal rivalries from ig the new governiver, the social presgovernment faces icult to contain, as we to yearn for the of living that the of the communist

1989 promised, but

CUAUHTEMOC CARDENAS

The nearly man of 1988

IN THE unlikely event that the Institutional Revolutionary Party does not provide the next president, the man most likely to be head of state is Mr Cuauhtémoc Cárdenas. Ha bears the surname of the man who remains one of the country's most revered presidents: his father Lazaro, who nationalised the oil industry. In a political élite dominated by the descendants of the Spanish, Mr Cárdenas is clearly of Indian stock - a tremendous electoral asset in this predominantly

Mr Cárdenas was narrowly defeated in the fraud-marred 1988 elections which brought President Carlos Salinas to power, and believes ha was cheated of victory.

The level of animosity

between the president and Mr Cardenas is high: the latter can barely bring himself to men-tion the president's name. The rise of Mr Salinas and the technocrats in the PRI during the 1980s spelt an end to Mr Cardenas's political career in the ruling party. As a result, he and others defected to present a left-of-centre alternative to

the increasing market orienta-tion of the PRL
Yet after his being so close
to victory in 1988, Mr Cárdenas's Party of the Democratic Revolution (PRD), has performed badly. It made a poor showing in the 1991 elections



defeated in 1988 elections

and received a hlow in losing to the PRI the state of Michoacan. There has also been internecine squabhling and its ebility to deliver votes may have

suffered. Despite these losses, Mr Cárdenas and the party have played an important role as a good to the administration, putting pressure on the gov-ernment to open the political system and improve the conduct of elections. This has been partly successful, even though Mr Cardenas himself dismisses the administration's reforms as a "backward step". The access of government and the opposi-tion to the media remains heavily loaded against the opposition: Mr Cárdenas was interviewed hy Talevisa, Mexico's biggest private televi-sion network, last month for the first time in five years. While publicly condemning the government, Mr Cardenas received the minister of interior, Mr Patrocinio González Garrido, to talk over electoral reforms. The talks concentrated on attempts to ensure that independent individuals rather than, as Mr Cardenas would see them, PRI appara-tchiks - were appointed to the electoral commissions overseeing the elections at federal and state level. The fact that they failed means almost certainly that, should Mr Cardenas lose, he will refuse to accept the victory of the PRI as legitimate.

Nonetheless. Mr Cardenas is as aware as anyone that the world has changed signifi-cantly since 1988. He has toned down his anti-US rhetoric and has been careful in his comments about the North American Free Trade Agreement. "We have good relations with all countries, including the US," he said in an interview. He did, however, make the point that Nafta has been nego-

tiated on the assumption that the three economies are equal. In fact, Mexico's economy needs greater support because it is demonstrably weaker than that of the US and Canada. He was critical of the administration's economic policies, saying they have resulted in unemployment and a fall in living standards. "Where are the results of the great economic project?. We have a concentra-tion of economic power, weak growth, a growing current account deficit and a fragile

economic situation.
"It's not sufficient to leave all this to the forces of the should be oriented "to the key sectors of the economy", which could be done both through the private and the public sector, in the latter case, for example, using existing state develop-ment banks. On privatisation, he said: "We see neither privatisation nor nationalisation as

ideological questions."

However, he added that the transparency of some of the Salinas administration's privatisations was in doubt, and his government would examine the propriety of the sales to see

if action was necessary.

The country's foreign deht remains a problem, he said. We have to renegotiate the debt which remains too beavy a hurden for the economy."

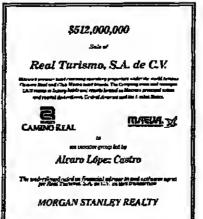
Mr Cárdenas has yet to gain much headway in the opinion polls. Nonetheless, the campaign has hardly begun. If as expected, the right-of-centre PAN puts up a weak presiden-tial candidate, Mr Cardenas could once again expect to be tha focus of the protest vote against the government.

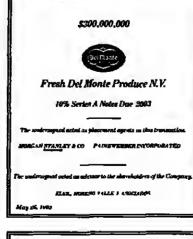
Stephen Fidler

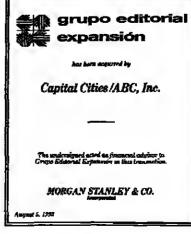


Mexico 1993









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Cost of credit too high

Continued from page 6

numbers of companies and individuals have stopped paying their debts. Net past due loans as a promotion of net loans increased from 0.71 per cent in December 1991 to 4.37 per cent in June 1993.

The banks contend that the high rate of default forces them to keep interest rate spreads high Contrary to expectations, the Mexican bank'e net interest margin has increased since privatisation, from 5.61 per cent in 1991, to 6.56 per cent in Juna 1998.

Some steps are now being taken to help banks analyse risk more efficiently. The government recently passed new laws that will allow banks to share the credit history of customers. This should help them to avoid making loans to cus-tomers with a history of

default. A new national credit bureau, the product of a joint ventura between Mexican banks and specialist US credit companies, is being set up. The banks are investing tens of

millions of dollars in improv-

ing computer systems. The banks say that still further de-regulation is necessary before interest spreads fall. Mr Roberto Hernandez, chief executive of Banamex, Mexico's largest bank, urged the authorities at the Bankers Convention in September to reduce obstacles to banks use of derivatives, international emission of peso bonds, and exter-

nal funding "Foreign hankers are arriving in our country proposing schemes in a few deys that takes us several months to receive authorisation for," he said. "It is urgent that the authorities allow the banks to act with more liberty in the definition of operations, assets and liabilities.

Mr Hernandez launched into an attack on Mexico's legal system, that he said made it difficult to recover collateral. The implementation of justice is not always agile and effi-cient," he said. "All kinds of subterfuges are used to delay trials. The judicial processes frequently last for years. And when they are resolved, the [bank] guarantees have lost significant value."

Mr Guajardo of Bancomer complains that it can taka three years or more to win a settlement in the case of a mortgage default, and that the law is not clear on ranking of

add 2.5 to 3 percentage points

on the cost of credit on mort-

um-sized husinesses, and leads banks to insist on more collat-Mr Ortiz admits that deregu lation has to go further. He

says the government will propose later this year new laws that should help a secondary mortgage market develop, hy removing restrictions on the transfer of property titles. The government will also gradually loosen restrictions on Mexican bank's participation in derivatives, once a correct capitalisation regime is in place.

However, the government is worried about the capacity of banks to take risks in an unre gulated environment. It likes to remind those who favour more aggressive deregulation, that four years ago Mexican banks were state-owned, forced to lend to the public sector at subsidised interest rates, and Ha says these problems can protected from foreign compedid 2.5 to 3 percentage points tition.

Damian Fraser

Men who would be president

Continued from page 7

government departments.

Mr Camacho's colleagues are aware of these weaknesses. They talk about an (improbahle) alliance with Mr Aspe just as some in the Aspe team talk about an alliance with Mr Camacho. They say that an independent central bank, and Nafta, make his economic inexperience less important. They go to great pains to stress aspects of his economic record while mayor of Mexico City -Mr Camacho has balanced the budget, privatised urban services such as water, and presided over a property surge.

Mr Camacho himseif says: "Investors will come to a country with peace and tranquility' and with a "policy of national development". In his view economic and political reforms of the Salinas presidency will make the joh of governing Mexico much more difficult in the future. "Politics in Mexico is going to demand more ahilities and democratic skills," he says, hinting that he is the person to manage such a process.

Luis Donaldo Colosio

Mr Colosio is seen as offering a hit of Mr Camacho and Mr Aspe, and perhaps for this rea-son is viewed as the favourite. While his friendship with Mr Salinas is relatively new, be is believed to be totally loyal to the president. He is the only candidate to have held elective office, as a deputy and then

As bead of the PRI for three years, it is assumed he would carry the party without difficulty. His two years in the social development ministry. which runs the president's anti-poverty programme, Solidarity, has giveo him an opportunity to travel around the country, and enabled him to

huild up frieods and allies. Mr Colosio talks about the need for greater decentralisation in Mexico, and giving more power to the states. He says municipalities have to modernise their source of income, and points out that property tax is just 0.002 per cent of GDP, "which has to be ralsed". He helieves that reforms of the past 10 years have to he continued at a state level, with each state pursuing deregulation in the way the federal government has.

The theme of regionalisation goes down well with Mexico's governors and local politicians. and is consistent with Mr Colosio's roots. He only arrived in Mexico City from a cattle ranch in Magdelena. Sonora, in his mid-20s (after passing through the University of Pennsylvania and Vienna, Austria), and so his view of Mexico may not quite as fixed on the capital as are the viewpoints of the other candidates.

Mr Colosio's team says he would "guarantee absolute continuity" in economic reforms. He would delegate to cabinet colleagues such as Jaime Serra Puche, the trade minister, and Mr Zedillo. He is expected to protect Mr Cordoha. He has good relations with influential businessmen who have done well during the Salinas presidency.

Mr Colosio is the only candidate to have held elective office

Mr Colosio says economic

orthodoxy is vital. "In the decade of the 1990s there will be a great competition for capital. We cannot forget that." He adds: "You have to know what are Mexico's advantages to investors...You cannot have man on the side managing the economy."

But rivals say his views are vague, his accomplishments as minister unimpressive, and they do oot regard him as articulate or intellectually able. They say he hardly ever speaks in economic cabinet, and conclude he has oo opinions worth mentioning. While Mr Camacho and Mr Aspe have published articles on Mexico's economic or political situation. Mr Colosio has never written anything memorable.

"Mr Colosio may be smart, but it is a huge mystery what he believes in," says one government minister. "Isn't it worrving that he has no enemies? At his level you should be taking difficult decisions that cost you support." His main enemles are in Mr Cardenas's party, who suspect him of hard-line political instincts, and of having opposed mors fundamental political reforms.

The Colosio supporters flatly deny this. They said their candidate was not involved in negotiations over political reform, and would favour an electoral pact with Mr Cardenas in the right circumstances, and television debates. They say their candidate would promote further reform of the PRI were he president.

Ernesto Zedillo

Mr Zedillo's chances are considered low, hut he has the right economic credentials for the joh, and presumed support of Mr Cordoba. A former central banker, with an economics PhD from Yale, he is seen as dry and cautious. Last year's storm over new history textbooks revealed his polltical inexperience, and perhaps more importantly, a lack of friends to come to his rescue The books were widely criticised for being overly partial to Mr Salinas and betraying the spirit of Mexico's revolution, and finally had to he with

The final choice of candidate will depend in part on what Mr Salinas helieves are Mexico's most urgent problems. Mr Aspe could be favoured if further economic reform and macroeconomic stability were considered essential: Mr Camacho. if a legitimate and convincing electoral defeat of the left and further democratic reforms were deemed necessary: Mr Colosio, if, as many believe, the president is looking for personal loyalty, pragmatism and continuity with present policies of steady economic reform and cautious political changes.

The vote oo Nafta could affect the decision, but in no obvious way. On the one hand, Nafta's rejection makes a candidate's economic abilities more important, since future economic policy is no longer guaranteed by the treaty. On the other hand Nafta's rejection would make the economic situation difficult, the electoral campaign closer, and put a premium on a candidate with good political skills.

Mr Salinas could still spring a surprise, and name one of the dark horses, or throw up the selection to the PRI. Some members of the PRI might even refuse to support the chosen candidate. But the overwhelming likelihood is that the party will rally around the chosen candidate, who will hring into his fold some of the erstThe country's ports are due for a transformation, writes Damian Fraser

Government plans a sea change

FOR A country bordering on the Pacific and Atlantic oceans. Mexico's ports play a surprisingly small part in the nation's economy.

Mexico's three largest cities Mexico City, Guadalajara, and Monterrey - are all land-locked, and almost all internal trade goes by road or train. The US ports at Los Angeles and Long Beach handle more of Mexico's trade with Asia than any Mexican competitor, and that at Houston handles most of the trade between the industrial north-east of Mexico and Europe.

The Mexican government now hopes to change this. It is in the process of privatising the 22 principal ports, and is confident private capital and better management will transform the ports' fortunes. This would not only boost Mexico's exports and its ability to compete in the world economy, hut would take some off the strain off Mexico's over-hurdened roads and railways.

The port privatisation is part of a co-ordinated effort by the Mexican government to bring private capital into public infrastructure, and improve communications across the country. Poor communications is considered by the government and the private sector as one of the critical constraints on economic growth, especially the underdeveloped southern part of the country.

The government has already built more than 4,000km of toll roads at a cost to private investors of more than \$10bn. It is planning later this year to pass new laws that would allow privately-run airports and trains. It is keen to have foreigners investing in new projects, either directly or hy huying bonds that are backed by future revenues from them.

The toll road programme has now run into trouble, and no new road concessions are being awarded, mainly because of insufficient domestic capital, and high tolls on existing roads that have deterred users. The lack of new road construction could hurt the port privatisation, since investors may be unwilling to hid for a port if it is not well-connected to Mexico's main cities.

Under the new port law, the



government envisages three separate groups of private companies taking part in each port. One group will be akin to a US port anthority and acts as a sort of port landlord, charging ships and terminal operators rent for use of the port space; a second will huild and operate private terminals and other physical facilities; and a third manage general port services (such as moving cargo or tow-

ing ships). Mr Jaime Corredor, the top government port official. believes the first port authority concessions will be sold by the end of this year in competitive auctions, and the remainder by next. Under the law foreigners can earn up to 49 per cent of a port authority.

Meanwhile, the government is awarding concessions to the private sector to build new terminals and run basic services, and will sell off concessions to existing terminals later in the year. There are no foreign limitations on investments in ter-

The law would mark a sharp break with present practice. Mexico's principal ports have been run out of Mexico City by a single centralised state authority. That meant there was no competition between the ports, and plenty of cross-

subsidies hetween the profitahle and loss-making ones. Given the shortage of public money, port equipment was often out of date, and inade-

The new regime will allow competition both between and within ports, significantly increasing productivity," says Mr Corredor.

While private companies have for a while been able to bnild their own terminals within a port, and manage some port operations, such companies were often effec-tively controlled by port unions, notorious in Mexico for corruption and restrictive prac-In the first tentative step to

took nver the Veracruz port some two years ago in a midnight raid, broke up the cor-rupt union, and handed over most operations to three competing private companies. Since then productivity has surged ahead, and the port handled about 6.4m tonnes of the cargo last year, 23 per cent more than 1991, according to Angel Conzalez Rul, the dele-

rivatisation, the government

gate at Veracruz port. The new law expects to draw from the Veracruz success, since it removes exclusivity contracts enjoyed by unions,

says Mr Corredor. The law gives investors in terminals freedom to manage their operations and hire their own workers. Unlike the past, several companies will compete with each other when offering basic port services, reducing the power of any group of

In mid-August the government awarded 27 concessions to the private sector to build cement, grain and car terminals in ports around the country. The companies included the German chemicals giant BASE Nissan of Mexico, and Apasco, the Mexican arm of the Swiss cement company

Such investment is badly needed, but may not affect one of the greatest constraints on Mexico's ports - poor comminications with the rest of the country.

At Veracruz, cargo at the port often waits for days trains to take the goods to Mexico City, says Jaime Sanchez Diez, head of Operadora Portuaria del Golfo, one of the private operating companies in eracruz.

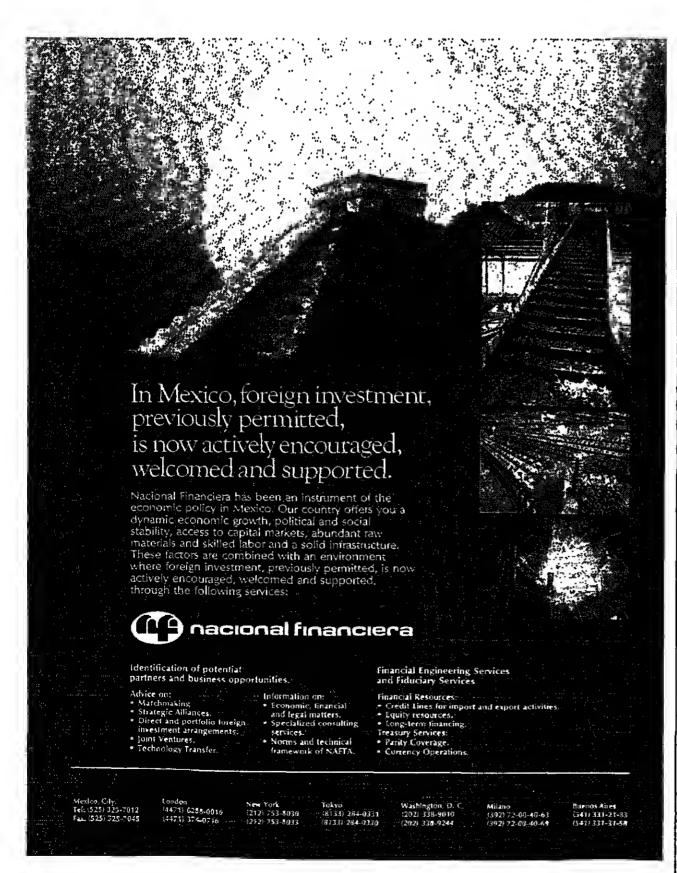
Mexico's rallways remain in public hands, and have suffered from government cost in.

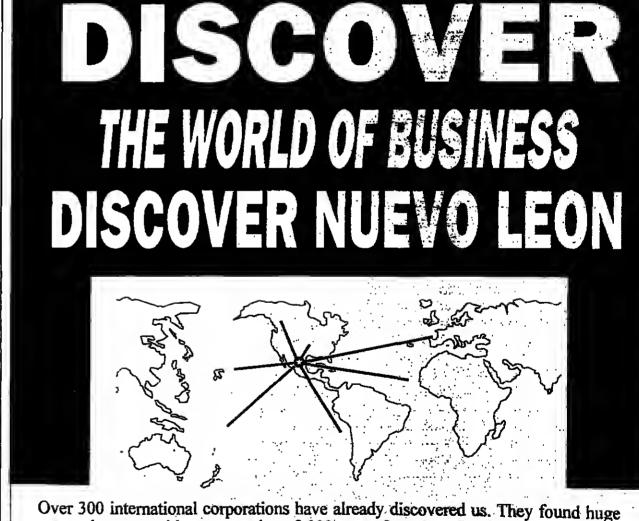
past decade. In apparent recognition that improving ports without touching railways may not take Mexico very far, the government is expected to change the constitution later this year that would permit some form of railway privatisa-

improvement in Mexico's ports will have to involve reforms of the custom competitive says an executive at Transportacion Maritima Mexicana (TMM), Mexico's largest shipping company. He says that while "while the privatisation measure is very good as it is, it is not sufficient. erico's customs clearance us overly complicated and dis-

TMM complains that while trains coming from the US frequently do not have to stop for learance until they reach their final destination in Mexico, ships are checked immediately and laboriously. This can hold up shipped cargo, and given the long and complicated Mexican custom procedures, add significantly to costs. The TMM executive says t can take 18 days for cargo to reach Mexico City by port from the north-west port of Mansan ille, and just 13 days by train public investment over the from the porth-west border.

criminates against shipping





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2 First Canadian Place Suite 1710 P.O. BOX 269 Tororito, Ontario, Canada have to learn how to sell their

per cent, soya by 40 per cent.

and cotton by 80 per cent in

Twenty-two per cent of the economically-active produce just 8 per cent of GDP, writes Damian Fraser

ough that the led, the gov-old system of uture did not orer farmers, lively expenr those who out a better

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crops to foreign markets. Poorly directed subsidies in credit, fertilisers and insurance made some farmers better off, but left the vast majority in poverty.

The extent of the present problems are partly concealed by rapid growth in production of crops, auch as corns and beans, that until now have been protected from imports. From 1989 to 1992 the producflon (measured in value) of corn increased by 52.8 per cent controwing too in real terms, and beans by 21 rarge that the per cent. However, production of unprotected crops has nose-dived; rice production fell 19.6

the same period. On October 4 the government announced a radical new agricultural programme that would scrap price supports, and instead subsidise farmers represent a according to how much land they own. The intention was to end discrimination in favour of

> too much basic grain production, which because of the increase in output of protected crops, was becoming increasingly expencontributing to the decline of the unprotected sec-

Hundreds of thousands

of farmers have been left

bankrupt after borrowing

The programme, known as Procampo, breaks the link between subsidies and production, since a farmer will receive the same amount of aid whatever and however much be produces. It thus ends Mexico's long-term commitment to self-sufficiency in food, since output will in the future vary according to changes in international prices, and



between 400 pesos and 900 pesos for each hectare of land they cultivate, depending on the average productivity of the land. The subsidies will he sed in over the next two years at the same time as price supports are removed, and the market onened to imports.

At present the government pays farmers about 750 pesos for a tonne of corn and pays another 160 pesos in transport and commercialisation costs. The international price plus delivery is about 450 pesos, the same average price Mexican consumers pay.

The programme makes redundant Mexico's commitment under the North American Free Trade Agreement (Nafta) to allow US and Canadian corn exports without restrictions within 15 years, since Mexico will now open up unilaterally in two years.

The scheme should encourage farmers to switch some production from formerly protected corn to export crops such as fruit and vegetables, and may arrest the decline in cotton, rice and other products subject to international competition. The diversification into

Change on the land - for good or ill

given a further boost by Nafta, in the south and centre of which, if approved by the US Congress, would eventually Mexico - one of the stated reasons the government is to go remove US tariff and non-tariff ahead with the reform. But it will also put cash in the hands barriers to sucb Mexican of farmers a few months before Even without Nafta, exports next August's president elecof value-added products have tion, and has thus heeo

surged in the past decade, takattacked as an attempt to buy ing advantage of the good climate in northern Mexico, its The average farmer in the cheap labour force, and its rich northern state of Sinaloa proximity to the US. From 1980 produces six tonnes of maize to 1991 strawberry production per hectare, giving him, under increased by 420 per cent, the price support scheme, an tomato production by 57 per equivalent subsidy of about cent and melon production by 2,760 pesos per hectare - con-siderably less than the 900 Procampo will have an pesos or so he will receive with

important distributive impact in favour of the poor farmers However, the average farmer

in the southern state of Oaxaca produces less than two tonnes per hectare, most of which he consumes, so that he hardly benefits at all from the price subsidy. He will gain at least 400 pesos per hectare from Pro-

> By injecting more than \$3.7bn of cash subsidies into the rural sector every year, Procampo will give farmers money to improve quality of their land, and produce more profitable crops. With hanks unwilling to lend to farmers because of the lack of guarantees in case of default, the land subsidy gives farmers a future casb payment that they can swap in return for credit.

Not even the government contends that Procampo will solve Mexico's agricultural problems overnight. It admits it may in the long-run contrib-ute to further decline in the sector. Many producers of corn and beans will not make a living selling crops at international prices, and will have to convert their land into non-ag-

ricultural use. Some recent studies by aca demic economists suggest that as many as 700,000 farmers could be forced out of work by full liberalisation of corn prices. While offering direct subsidies will soften the blow of price liboralisation, one official says: "In the end we will

have fewer people working in agriculture as a proportion of total employment. You cannot expect to improve the standard of living in the countryside. when you have 22 per cent of the ecocomically-active nation producing just 8 per cent of GDP."

The implementation of Procampo is also likely to be difficult. "Procampo sounds good on paper," says one govern-ment official, "but sometimes f wonder bow it is going to work in practice." The possibility of corruption is high, since the government will have to dole out cash payments to 3.3m farmers in a short period of

The reform of the ejidos (communal land) will accelerate migration from the countryside. The reforms allow jido farmers to sell their land if a sufficient majority in the farm agree to do so, or rent it out. The changes also make it a lot easier for ejido farmers to enter into joint ventures with husinesses, and formally end more than 50 years of continuous land reform

The changes have not vei had the impact hoped for, partly because the certification of land titles has been much slower than many expected. As part of the reform, the government agreed to certify laod titles to about 102m hectares of land, about half of Mexico. Ejido land cannot he legally sold or rented out, and access to bank loans is difficult, until the land title is certified.

The process has gone more slowly than some had hoped for, and the first title was only given out in August, Dr War man says the programme of certification will not be finished until 1996 or 1997.

domestic costs. Procampo will eventually pay the 3.3m farmers who were producing subsidised crops value-added crops may be

iser on labour and environmental accords

sning agreement tire" to enforce the relevant The arbitration panel has to 9 Trade ast time issue a final report and make nendations within about eight months. If the panel's eir enviir laws, recommendations are ignored, th fines the panel can fine the offending nation, if the non-enforcement is trade-related. If the fines are ignored for another. mdidate six months, the complaining country can impose sanctions on the country (in the case of Mexico and the US) or take it ite new enforce to court (in the case of Canimpose

> The process is even more long-winded for violations of specified labour rights. For, while the original intention was to have eymmetrical labour and environmental accords, the provisions on labour are weaker than those on environment.

The failure to enforce all environmental laws is subject to fines and sanctions, but with lahour, penalties are limited only to failure to enforce minimum wages,

Critics complain that under the accords the process of imposing fines is cumbersome

safety standards, and child most iabour laws. The North . and American Labour Commission many is limited to a staff of 15, whereas there is no limit on the Environmental Commmher

The environmental agree ment allows all information to be used in findings, whereas the labour agreement only allows publicly available information from governments to be submitted.

The impact of the labour side accord could be significant, if Mexican enforcement was stepped up as a result. While Mexico's minimum wage laws are in effect enforced by the market place, child labour is widespread in Mexico cording to the estimate of the 1990 census there were 418.575 workers between the ages of 12 and 14. Likewise, factories, especially small ones, routinely ignore health and safety standards, and could probably not remain in business if they had to comply with all the existing laws.

Nevertheless, US unions have complained that the labour side accord fails to address violations of the right to strike and the right to choose independently a union - such violations, they say, keeps Mexican wages down to artificially low levels. Mexico's minimum wage is about \$4.20 a day, and the registered average e \$12.50 a day.

The Mexican government has wide powers to interpret labour law to its advantage. The government is closely

allied with the official Confederation of Mexican Workers, headed by nonagenarian labour leader Fidel Velazquez, and the two have worked together to make sure no break-away union acquires too much power, and undoes the official wage and price Last year unions announced

plans to strike 6,814 times, but only about 140 resulted in plant shutdowns. In a not unusual example, a strike at Volkswagen car plant was declared illegal by the (government-controlled) ederal Labour Board, even though a majority of workers had voted in favour of the strike. A labour leader in the border city of Matamoros that has urged workers to strike for higher wages, was arrested for not paying his taxes, and the strike called off.

Ironically, Mexican labour laws go much further than US laws in defending labour rights - guaranteeing the right to annual leave, profit sharing, three months maternity leave, cons severance bayments and in disallowing factories from replacing etriking workers. But the laws are so complex, that full compliance

By forcing Mexican companies to compete under free trade, Nafta may in fact lead the Mexican government to reform the labour law, and strip some of the legal protections offered to workers. Covernment officials and businessmen argue that the labour law over-regulates the labour market, and is an

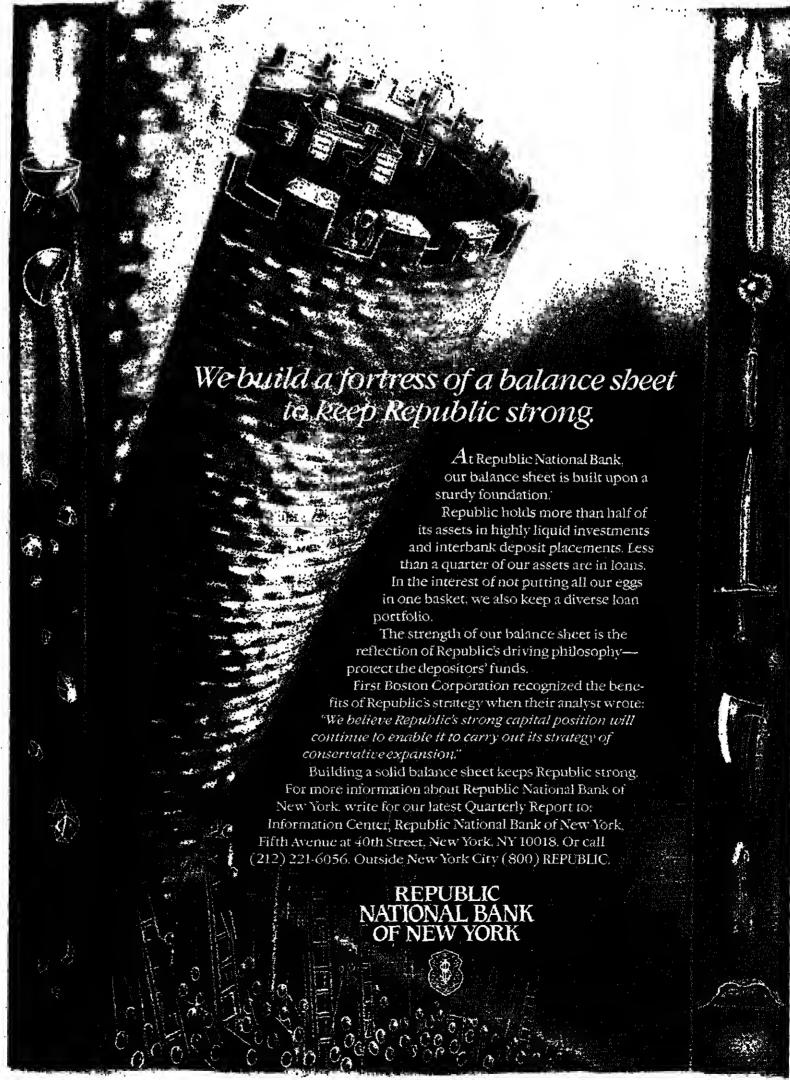
obstacle to productivity. The environmental accord is tougher than the labour one, partly because environ-mentalists were closely involved in drawing up the drafts to the accord.

There was also a greater willingness on behalf of Mexico and Canada to make concessions in the environment, a politically and economically less sensitive area than the labour market.

The Mexican government has been stepping up its enforcement of environmental laws lately, but independent reports suggest there is much to be done.

A study released last year by

the US General Accounting Office found that none of six in-bond plants that were questioned along US-Mexican horder complied with the nece Environmental Impact Statement before setting up



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net

et new PM

rural voters who sup-the PSL, and those in ssion-struck towns who the SLD, are looking gible, and rapid, ecoimprovements. Elen both parties are willake risks with inflation. moves, as Mr Marek ki, the SLD politician in of the economy, knows I, would risk a worsenrelations with the IMF. ı turn, could jeopardise erately needed 20 per ut in the country's debt to western governdue to be implemented ear. The fact that the Bank remains Poland's source of capital - until rescheduling agreement negotiated with western rcial banks owed

- also puts a premium etary stringency. ver, the SLD's trade compouent, which ip around a third of the entary party, could prorive to the party's free eers, such as Mr irek, the new privatisanister who promises to e to whittle away at the

arly, in the PSL, ambi-

obiticians jealous of Mr

's meteoric rise promise s their party's demands cies favouring farmers. politicians at the top of and the SLD - includleader, the politically 1 Mr Alexander Kwas , who has stayed out of remment - appear to he sophistication to n a common front and internal rivalries from intng the new governlowever, the social preshe government faces difficult to contain, as ontinue to yearn for the improvement in their d of living that the in 1989 promised, but o bring.

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MEXICAN migration to the US shows little sign of falling significantly, in spite of more border patrol agents, fences and other mechanisms to keep immigrants out. According to the US Immigration and Naturalisation Service, the number of immigrants apprehended along the border rose to 1,203,754 in the 12 months to October 1993, from 1.146.698 in the same period the year before. While such figures overstate the number of immigrants, since many will be caught crossing several times, the Colegio de la Frontera, a leading

research institute in Tiluana, estimated around 300,000 immigrants illegally entered the US last year from the border. The picture shows would-be immigrants crossing the Rio Grande. President Carlos Salinas likes to argue that

Nafta will provide Mexicans with jobs at home and thus lower migration to the US. However, academic evidence is unclear. The restructuring in Mexico's economy that is likely to be wrought by Nafta may in the short term increase migration, especially from the rural

Kidnapping has become increasingly common in the past year, writes Damian Fraser

Rich pickings for criminals

ON A Saturday in June Eduardo Creel, a successful Mexican banker, was opening the gate to his country bouse when two young men seized him, took him to a nearby forest, chained him to a tree, and left him without food and

Mr Creel was eventually released six days after his capture. What was perhaps most unusual about the kidnapping was the small amount of the ransom - about \$300,000. according to press reports. The kidnappers apparently did not know that Mr Creel, who has just formed a new bank Grupo Financiero del Sureste, could have afforded much more.

Kidnappings such as Mr Creel's have become increasingly commoo in Mexico in the past year, as criminals have found it perhaps tha easiest and quickest way to make money fast. Epoca magazine cites an official report which estimates at least 88 other Mexicans were kidnapped in the first seven mooths this vear for a total ransom of about \$90m. This is almost nine times more than the amount stolen in bank robberies last year.

In September alone, El Norte newspaper reported that Daniel Woog, a businessmen from Tijuana, paid \$700,000 for his release; Vicente Robles Villa, a fruit farmer from Chihuahua, paid \$400,000; Rodolfo Gamboa, son of a prominent business men io Duranago, paid \$600,000. It is unclear whether two other businessmeo kidnapped in September, Jorge Morales from Cuernavaca, and Andres Castaña have been

freed. The spate of kidnappings has started to worry Mexico's rich. who are among the least secu-

rity-conscious of Latin America's wealthy people. Now, however, increasing numbers are beginning to hire bodyguards or take other preventive measures. Eveo foreign businessmen, who up to now appear to have been safe, are taking precautionary steps, according to Grupo Fairfax de Mexico, the leading interna-tional security firm in Mexico. "This year more than ever

At least 89 Mexicans were kidnapped in the first seven months of this year

before people are starting to wake up," says Michael Hersh-man, presideot of Fairfax de Mexico. "At the beginning, the Mexican attitude was very macho. While it has not completely changed, we have noticed people feeling vulnerable." Fairfax says its personal security business in Mexico bas more than doubled in the past 18 mooths.

The problem is at its worse in rural states away from Mexico City, where lawle and disparities in wealth have long made kidnapping a highly attractive husiness. A long report in the El Norte newspaper cited some 183 kidnappings in the rural state of Michoacar alone last year, of which some could have been drug or politically related.

Kidnapping has proven so lucrative mainly because of the low risk of being caught, a result of police inefficiency and corruption. "Once the criminals are aware that you pay and that there is no follow-up organisation, then the kidnap pers are going to have a field day," says Mr Hershman.

Under Mexican law, families do not have to inform the police of the intention to pay a ransom, and such is the low esteem in which the Mexican police is held, many do not tell. The effect is that unlike in say the US, when the FBI is called in automatically in the event of a kidnapping, in Mexico there is often little police follow-up, or investigation.

Police or former policemen are also believed to have been involved in many kidnapph according to a government official. The government attri-butes this in part to its anticorruption drive, that has led to hundreds of senior policemen being fired. The rejected police have apparently used their contacts, access to arms and intelligence, to protect or lead groups of kidnappers.

Occasionally policemen have been arrested for kidnapping Four policemen have been detained for kidnapping Juan Cuevas Calderon, a car dealer, on February 2. The policemen are alleged to have arrested the car dealer on trumped up charges, but to have promised to release him if he paid about \$200,000. The car dealer reportedly finally gave them about \$8,000, a car and a van. When free the car dealer reported them to higher authorities. who then pressed charges.

Recently, there has been speculation that Mexican kidnappers have joined forces with international groups, such as Central American guerrillas or Basque terrorists. Two months ago a list of 150 rich Mexicans thought worthy of kidnapping was found in Nicaragua beside an arms stash, believed to have been left by a faction of the FMLN guerrilla group of El Salvador. The list, published by the Nicaraguan newspaper Barri-

cada, included several Mexican

billionaires such as Mr Emilio

isa, and Mr Carlos Shin, the bead of Telefonos de Mexico. The Mexican government took it seriously and sent an efficial to Nicaragua to discuss it with the interior ministry, seconding to Epoca. There have been finiter

rumours that the Bases ter rorist organisation ETA was behind the kidnapping of some rich Mexicans. While a government official says there is no evidence of this, the interes tional reach of some Mexican

kidnappers is impre Two years ago him Gatier rez Cortina, the son of the owner of the private construction company Gotse, was bid napped and his brothers serve sent to Spain to receive instructions from the location pers, and then to Brank to make the \$15m payment Lack-ily for the family finences. Mr Guitierez Cortina escapsi inst before the reason was paid

Reform awaits its reward

Continued from page 1

omists in Mexico are beginning to see the power of the executive as an obstacle to further development.

In a number of areas, flaws that stem from the autocratic nature of Mexican government are seen as having important economic consequences. The fact that the judiclary is subordinate to the executive underlines the weakness of the rule of law, and reinforces the discretionary and arbitrary nature of judicial decisionmaking. This not only increases cynicism about the legal system, it makes problematic the enforcement of

contracts in Mexican courts. Furthermore, it means there is no guarantee that intellectually-sound, well-drafted laws - for example, that on competition policy which came into force this year - will ever be executed in practice, or that those with friends in high places will not be able to

circumvent them. The next stage of

Privatisations have enabled the government to lower its budget deficit and have helped

it to finance an anti-poverty programme

development "has to do with creating a proper legal system, developing the accountability of government and making it possible for small companies to prosper", says Mr Luis Rubio, head of a development research group in Mexico City.

The importance of a functioning legal system as a countervailing influence to government has not been diminished by the Salinas administration reforms which have reduced the size of the state. Privatisations have enabled the government to lower its budget deficit to tackle inflation and have helped it to finance a more effective anti-poverty programme, but they have not spread economic power. "I'm concerned about the creation of new vested interests, a new oligarchy," says Mr Rubio.

Furthermore, partly because the judicial system does not have a role in calling government servants to account, corruption in. government remains an important issue, and not one merely restricted to its lower echelons. When an agent acting for IBM claimed this year that he was asked for a bribe to secure an air traffic control contract, his illegations were never proved

but he was widely believed. Some senior government officials believe strongly that the weakness of the legal system is an important ecocomic problem that will

have to be addressed by the administration. next ' Meanwhile, the government has begun to address other economic constraints. For example, bank privatisation does not seem to have ensured full competition in the banking system, even though there are 18 banks. The high cost of credit is one of the main constraints to the development of small- and medium-sized business. The government has started to attack this - in part by increasing competition from banks outside Mexico - but

nobody believes a solution will

Furthermore, while efforts to deregulate at a federal level have been impressive, there. has been much less change in state and municipal deregulation. Mr Jaime Serra Puche. trade and industrial development minister, says: We have been successful at the federal government level, but have a lot to do at the state

have not been that successful." Other officials see the labour law and the social sec legislation as in dire need of change. The social security system is the time bomb for the next administration," said

level. At the local level we

one senior official. The incomplete nature of reform at a microeconomic level is often offered as an explanation of why growth has not been faster: growth of less than 2 per cent will generate this year a current account deficit of \$200a. 6 per cent of

A further explanation for slow grawin not necessarily contradictory is that the government and the private sector underestimated the inefficiency of the economy before the it was opened to the outside world. This has rendered the

existing capital stock obsolete far more quickly than expected growing against this backdrop is rather like rowing against the current. Yet mounting evidence of

increased productivity suggests reform has not been

in vain.
Mr Salinas said this month that labour productivity had increased by 19 per cent in the

I last three years.
Yet, with or without Nafta,
Mexico is still likely to remain
dependent on foreign capital
for some time to come. In reality, this leaves little roomfor manoeuvre in macroeconomic policy for any future "On the economy, there is

little that they can tinker with because the markets will react the minute they perceive that reform is threatened. The Mexican economy is like a bicycle: if they don't keep pedalling they will fall off, says Mr Ruhio.

Asked how he wants to end

replied: "I'm working warn's ending my administration with economic growth, with price stability and with a social consensus that world confirm that it was worth the process of reform to which we have been committed in the last five

Achieving this will dipend in part on Naffa's ratificat as having exceeded expe tations in his present of

economic referre. Politically, howe probably be seen as being siere firmly in the PRI tradition than he was often perseived, certainly outside Mexico.

He has used fully the powers

of his office in this most

centralised of states and his concessions to opponents have emphasised, rather than tempered, the continuing power of the executive. If, as expected, he follows convention, he will choose his

party's candidate for the elections scheduled for next It seems likely - though not

The incomplete nature

of reform at a microeconomic level is offered as an explanation of why growth has not been faster___

mevitable - that the fate of Nafta will be decided before he has to make the choice.

. While education minister, M Ernesto Zedillo, is regarded by some as an outsider with a good chance, there are three front runners: Mr :Manuel Camacho, the mayor of Mexico City, finance minister. Mr Pedro Aspe, and Mr. Luis Donaldo Colosio, the social

development minister. Mr Camacho is known to favour political reform and is regarded as a political concillator; his drawback is that he is regarded, rightly or wrongly, as likely to dighten

foreign capital.

Mr Aspe is seen as ensuring that Mexico remains in the good books of inter-investors, but he is the party as an fondamentalist and somewhat dangerous, Party officials also suggest he would be the weakest of integration

candidates as a cam-paigner. Conventional wisdom by however, that Mr Luis Nove Colosio, the social devision minister is the man most likely to succeed Mr. Salinas Mr Colosio is viewed as Mi Salinas's "son", the

president can most brust.

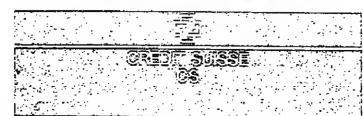
Mr. C. Land is thick at the candidate with nettice the drawbacks of Mr Ca tikely to carry Mr. style of government to



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et new PM

The coming year will see a national election, four provincial elections and probably a referendum on EC entry. Not since the 1950s, says lan Rodger, has the country been faced with the prospect of such profound change within such a short period of time.

New voters hold the key

AS A rule, things do not happen abruptly in genteel Austria: But people may well look back in a couple of years and be surprised by bow much and how quickly the country

Ward

By then, Austria could be a member of the European Com-munity and an active particlpant in pan-European security organisations and United Nations peacekeeping efforts.

By then, the cosy political alliance between the Social Democratic party (SPO) and the conservative Austrian People's party (OVP) may have collapsed, as a new generationof voters appears to be aban-doning traditional loyalties.

The country's leading indus-tries and banks could be fully privatised and freed from the stifling practice of having to assign top jobs on the basis of political suitability. The industrial structure will certainly have changed, as low val-ue-added businesses are forced

By then, Vienna, a sleepy and marginal city since the collapse of the Austro-Hungarian empire in 1918, could again be a vibrant centre of a vigorous central European region.

Not since the 1950s, when it managed to see off the four occupying allied powers, has Austria faced the prospect of such profound changes within a short period of time.

The country's new coming of retirement of Mr Kurt Waldheim as national presi-

dent in July, 1992. As long as Mr Waldheim, who concealed his service in a German Wehrmacht unit that was implicated in second world war crimes, was in office, Austria was dip-

Klestil, a former senior diplomat, has moved rapidly in the past year to re-establish ties with countries that boycotted Austria, and the government has assumed a higher profile generally in international

UN human rights conference, and earlier this month it welcomed leaders from 32 countries to a summit meeting of the Council of Europe. Also in June, Mr Franz Vranitzky, the chancellor, became the first Austrian head of government to visit Israel; and he made clear that this was "an important and significant signal to the world of how we Austrians see ourselves and our history."

defence minister, went to Brus-sels last month to discuss Austria, hitherto rigidly neutral, taking observer status in the Western European Union.

sions, with a national election. four provincial elections and probably a national referendum on EC entry in prospect. Both Austrian and EC lead-

lomatically crippled. His successor, Mr Thomas

could be approved by the Euro-In another landmark move Mr Werner Fasslabend, the

Now the country faces a year of momentous political deci-

ers are publicly committed to completing negotiations on EC membership, would be crippled heading into the election camentry by early next year. The paign.

In June, Vienna hosted the

pean Parliament before that body dissolves in the spring, and then could be submitted to the Austrian people in a referendum later in the year. The timing of the referendum is a delicate matter. Opposition to the EC is still strong, so if the national election is

held before the referendum, EC entry could become a prominent and divisive issue in the election campaign. On the other hand, if the referendum is held first and a majority rejects EC memberthe ruling coalition,

It is by no means clear that the grand coalition can survive the next election, anyway. Recent elections and polls indicate that the popularity of both the SPO and the OVP continnes to fall, while the three smaller parties, the right-wing Freedom party, the Greens and the new Liberal Forum, are

gaining ground. "Anything can happen," says Mr Erhard Busek, vice-chancel-lor and leader of the OVP, junior partner in the coalition. The OVP's vote share tumbled from 41 per cent in 1986 to 32 per cent in 1990, and Mr Busek is resigned to further losses

next year.
But he believes the coalition will survive. The combination of the other parties could not

make a government, either in numbers or in ideology," be says. The ever-cautious Mr Vranitzky says only, "Some Sunday night in October we

Since the last election, the main political issue in Austria has been immigration, as people have become more and more anxious about the flood of immigrants and refugees from eastern Europe. Immlgranis and refugees, both legal and illegal, now account for about 9 per cent of the Austrian population, and are concentrated mainly in Vienna

Mr Jörg Haider, leader of the Forum.

Freedom party, bas won immense popularity by demanding that the government get tougher on immigrants. His party's share of the vote in recent provincial elec-

tions has risen to nearly 20 per cent, double its mid-1980s However, it looks as if the Halder advance bas stopped. His petition campaign in January, aimed at forcing the government to outlaw immigration, was soundly defeated. A month later, be was further embarrassed when a few of his more liberal-minded colleagues to set up the Liberal defected

In recent months, the government has taken the remaining wind out of his sails by putting a temporary freeze on immlgration, ostensibly because of the slump in the economy.

The next indication of the strength of the immigration issue and of Mr Haider's popularity will come in March, when he contests the provinclal election in Carinthia, where he used to be governor. In spite of the proximity of all these votes, there is as yet little evidence of a pre-election

haps the rather dull outlook

"It does not appear that the bottom of the economic cycle has been reached," WIFO reported glumly, pointing to continuing weakness in the vital German market for Austrian exports.

Another source of disappointment has been dramatic reverses recently in the nationalised industries. Austria Metall, the aluminium group. looks set alone to lose a numbing Schl3bn by the time its affairs are restored to order

next year. The silver lining to these reverses is that the government has at last become committed to selling off its still vast boldings in leading industrial and banking groups, and to creating fair and open capi-

tal markets. The Austrian business community has warmly embraced these policy changes. A new generation of ambitious, outward-looking managers is emerging, eager to compete in open markets for both business and investors.

Within a couple of years, it will be interesting to see bow for the economy has put a well they are doing.

net SCHONBRUNN Palace, in suburban Vienna, one of the ewels among Austria's cultural assets, sags under the weight of more than 25,000 risitors a week. rural voters who supthe PSL, and those in ssion-struck towns who Like many other national ssets, it is being squeezed these days to produce profits the SLD, are looking gible, and rapid, cco improvements. Ele alace was put under private dministration and the change n both parties are willcan already be felt. Last ake risks with inflation. moves, as Mr Marek ki, the SLD politician in Mozart's Don Giovanni end of the economy, knows l, would risk a worsenental of its baroque dining relations with the IMF. 1 turn, could jeopardise Empress Maria Theresa, who erately needed 20 per was very fond of the palace ut in the country's deht to western govern peen appalled. Pours: Andrew Ear due to be implemented ar. The fact that the Bank remains Poland's

damper on political sentiment. source of capital - until in its latest forecast on October rescheduling agreement , the Austrian Institute of negotiated with western Economic Research (WIFO) relal banks owed said the economy would con- also puts a premium tract by 0.7 per cent this year and grow by only 1.5 per cent

etary stringency. ver, the SLD's trade component, which up around a third of the entary party, could proe focus for a left-wing ive to the party's free eers, such as Mr ki and Mr Wieslaw rek, the new privatisanister who promises to e to whittle away at the

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in 1989 promised, but

The economy: recovery largely depends on Germany, says Patrick Blum

Inflation still proves stubborn

THE SUDDEN onset, at the end of last year, of the country's worst recession for more than a decade took most Austrians by surprise, and caused an uncharacteristic outpouring of gloomy forecasts.

But while the recession was real enough, causing a 4 per cent decline in industrial output and an even sharper 8 per cent drop in manufacturing exports in the first half of 1993, its impact has been far less pronounced than for most of Austria's OECD partners.

Austria's recession came later, and the country is likely to emerge from it more rapidly than its western neighbours, though recovery will largely depend on developments in Germany - Austria's most important trading partner and its main source of revenues from tourism.

As hopes receded that Austria would somehow avoid the Europe-wide recession, growth estimates were hastily revised downwards. Gross domestic product was forecast to decline by around 1 per cent this year. though economists now believe the economy has bottomed out and that GDP will fall by a more modest 0.75 per cent. "The decline stopped in the

spring, and since then we've been stagnating. Industrial exports have been worse hit. but construction, tourism and private consumption have held Aup." says Mr Helmut Kramer director of the Austrian Institute of Economic Research

Several factors exacerbated the downturn. After a rapid rise in exports to the former communist states, rising competition from low-cost producers in these countries began to take its toll on Austrian manufacturers, forcing the government to impose import restrictions on sensitive products such as cement and fertilisers. Exporters also suffered from the effective revaluation of the Schilling last autumn, following the devaluation of several

European currencies. The consequence was a further deterioration in the trade balance, which is forecast to show a Sch109bn deficit, compared with a Sch106.4bn deficit last year. Exports will fall by 5.5 per cent and imports by 3.5 per cent, but the current account is expected to show a small surplus as income from

KEY FACTS 83,850 sq km Population ...7.9 million (1992 estimate) Head of state .. President Thomas Klestil Currency ... Schilling (Sch) Average exchange rate1992 - \$1=Sch10.99; £1=Sch19.35

ECONOMY		
	1992	'- Latest
Total GDP (\$bn):	184.6	n.a.
Read GDP growth (%)	1.5	-0.9
GDP per capita (5)	23,427	n.a.
Consumer prices (% change pa)	4.1	3.5
ind production (% change pa)	-0.9	0.7
Unemployment (% of lab force)	6.0	7.1
Reserves minus gold (\$bn, end		
period)	12.4	12.9
Narrow money growth (% pa)	6.2	a.2
Broad money growth (% pa)	. 4.2	5.4
Discount rate (%, end period)	- 8.00	8.00
Govt bond yield (%, end period). FT-A index (% change over	7.56	6.30
year)	-10.5	+22.2
Current account balance (Sbn)	-0.7	-0.7
Trade balance (\$bn)	-8.8	n,a.
Main trading partners (1992, %		
by value)	Exports	Imports
Germany	39.2	42.9
Italy	6.2	8.6
Switzerland	5.9	4.0
EC	66.1	67.9
EFTA	8.8	8.8
Eastern Europe	· 11.2	. 7.3

1993 figures: Industrial production (July); CPI, unemployment, reserves, discount rate (August); bond yield (September); GOP growth, current account (Economist intelligence Unit forecasts for whole year); money growth (first half average); FT-A World index (% change from January 1 to September 30, 1993). Source: IMF, Datastream, Economist Intelligence Unit

tourism and services offsets the deficit in traded goods. Inflation is also proving more difficult to tame than anticipated. Consumer prices are set to rise by 3.5 per cent this year, after peaking at 4.1 per cent in 1992, though that

included about half a percentage point caused by changes in indirect taxation. Inflation should fall to around 3 per cent next year, thanks to moderate

A resilient budget deficit adds to inflationary pressures. Lower tax revenues, caused by the recession and higher spending on social security and unemployment benefits, will increase it from Sch62bn in 1992 to about Sch80bn, repre-

senting about 3.8 per cent of GDP this year. Hoped-for relief, in the form

tions, have not materialised as the process has faced repeated delays. But a renewed crisis at Austrian Industries, the large state-owned industrial group, is likely to prompt the government to sell off a large part of it next year. The government remains

committed to its deficit reduction strategy, albeit at a slower pace, and Mr Ferdinand Lacina, finance minister, hopes to keep the deficit below Sch80bn next year. This may prove difficult if the recovery is delayed by external factors. "We have to be prepared for another year of weak economic performance. The effects of recession will also be felf in 1994, but we have to put on the brakes," he says.

But there will be no shock treatment with dramatic cuts of revenues from privatisa- in spending. Lower deficits

will be possible when the recovery comes." Mr Lacina says. Social programmes to soften the recession's impact will be maintained, and the government will seek to encourage employment by accelerating planned spending on infrastructure. "If you have a high number of unemployed at the start of an economic upturn, it's not easy to bring (the number) down." Better to try to control unemployment before a recovery, even if that means some additional costs. he suggests.

Nevertheless, unemployment is rising and is expected to be 4.7 per cent of the workforce by the end of this year, according to OECD measurements, and around 7 per cent based on the narrower Austrian definition which does not include the

The fear of job losses and competition from low-paid foreign workers, who now account for 8.5 per cent of the workforce, has encouraged wage moderation. The example of the metal workers' unions, which recently agreed to wage rises of 2.9 per cent for 1994, is expected to be followed by other unions.

Mrs Maria Schaumayer, pres ident of the Austrian National Bank, says low wage rises, combined with greater flexibility to determine the extent of pay increases at the level of individual enterprises, will have a significant effect on small and medium-size compames which are not directly represented in the national wage negotiations. "It gives a safety net [for workers], together with much needed deregula-

tion [for employers]," she says. Growth is forecast to resume next year with GDP rising by only a modest 1.5 per cent, but Mrs Schaumayer sees three reasons for optimism and a "velvet landing". Private consumption will be encouraged by tax reforms; construction activity has recovered from its winter lull; and exports are picking up again. Austrlan companies are also increasing their investment abroad, improving their competitive ness in foreign markets. "This is an ongoing trend. Most investments seem to be profitable, and the propensity to internationalise is rising." she

Continued on the next page



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NEXT YEAR will be a lively ooe in Austrian politics. With four provincial elections, a general election and the possibility of a referendum on European Community membership - coinciding with the arrival of a new party that threatens to draw support away from the establishment - politicians will be more than usu-

The voting season kicks-off in March, with provincial elections in Carinthia, Tyrol and Salzburg providing an important test of the electorete's mood. The vote in the southern province of Carinthia will attract most attention. There, Mr Jorg Haider, the controversial leader of the right-wing Freedom party (FPO), will try to recapture his governor's chair after being forced out of it more than two years ago following a speech in which he appeared to endorse Nazi employment policles.

Mr Haider's blend of youthful populism and nationalism has been a magnet for tbose disenchanted with the political establishment. After be bad become party chairman in 1986, the FPO's share of the vote rose from under 10 per cent to almost 17 per cent in the 1990 general election. There are signs that support for Mr Haider may have peaked, and a clear victory in Carinthia would give him a fresh impetus for the general election that is due in October at the latest.

At stake will be the maintenance of the the current ruling "grand coalition" of the Democratic Socialist party (SPO) and the conservative People's party (OVP), both of which bave seen their popularity decline in recent years. In addition to Mr Haider, they now face another challeoge from the newly created Liberal Forum. "The liberPolitics: Patrick Blum looks ahead to a year that will bring a series of elections

Testing time for the coalition

als are a threat to all of us, but not to Haider," says Mr Erhard Busek, vice-chan-cellor and OVP leader.

The Liberals make strange opponents. They have only the bare boues of an organisation (to be fleshed out at their first national congress in November), little money, less than a handful of members of parliament, and they have yet to agree on programme.

But this did not prevent them from making a dramatic entrance on the political scene by winning 5.1 per cent of the vote in last May's provincial elections in Lower Austria, giving them three seats in the provincial parliament. Their success, less than three months after the party's birth, stunned the political establishment.

The Liberals enticed voters away from the government parties, drew support that otherwise might have gone to the FPO, and won an unusually high proportion of women voters. Ms Heide Schmidt, the Liberal leader, bopes to repeat the performance in forthcoming elections. Some pollsters forecast that the Liberals could win up to 10 per cent of the vote in the general election giving the party 15-20 seats, and making possible a coalition with the SPO which currently holds 79 of the parliament'a 183 seats.

Ironically, it was Mr Haider who precipi-



'no alternative to the grand coalition

tated the creation of the Liberal Forum which is now stealing some of the wind out of his sails. His launch of an inflammatory anti-immigration campaign in January was the last straw for a small band of liberals still in the FPO. Most liberals had either been forced out of the party or left



has gained national respect

in disgust at Mr Haider's policies. Under the wing of Ms Schmidt, who gained national prominence and respect as FPO candidata in the 1992 presidential elections, a small group decided to form their

The OVP stands to lose most from a



Jörg Halder: hopes to regain governor's chair

liberal breakthrough, though Mr Busek. says there are no realistic alternatives to the current grand coalition. The coalition is not popular with all conservatives, some of whom have toyed with the idea of an alliance with the Freedom party. But Mr Busek is adamant that an OVP coalition

tion on political grounds, while one with the Liberals could not gather enough support in parliament. The OVP has 50 seats in parliament, and on present standing looks unlikely to improve much on that score. Mr Busek says the conservatives will campaign for the maintenance of the condition with the socialists as the best guarantee for stability and security

with Mr Haider's FPO is out of the que

Ms Schmidt believes another grand coalition is the most likely outcome. "It's not a good thing (for Austria), but it's the reality." She says the coalition failed to carry out necessary reforms. Nothing has

happened, only cosmetic changes."

Mr Franz Vranitzky, the chancelor and SPO leader, dismisses the suggestion, "There have been more reforms in the past three years than at any other time in modern Austrian history! but not all nec-essary reforms are popular." He believes dissatisfaction with the ruling parties is part of an international trend affecting a mainstream parties.

Before the general election, in June or July, Austrians may have to vote in a endum on EC membership - providen negotiations are concluded rapidly enough if not, the referentum will take place in 1995. The ruling parties and the Liberals firmly support membership, with opposition from the Greens, and an ambivalent attitude from Mr Haider's PPO. Rut in spite of a cooling in popular entir for the EC, membership should not be major issue in the election un negotiations turn sour. I don't think it makes sense to speculate. We must our centrate on the negotiations and do est homework," Mr Vranitzky says.

of credibility Austria's nationalised industries retained, following the financial collapse of the old Voest-Alpine steel and engineering group in 1985, bave been ripped away in the past few

Even partially privatiaed OMV, the previously bigb performing and much respected integrated oil and chemicals group, bas come unstuck. A forecast of modest profits made by management at the end of April had to be withdrawn in early September, wben it became obvious that a Scb4.7bo loss for the full year

But the worst disaster has been at Austria Metall (AMAG), the integrated alumininm group within the Austrian Industries combine. Given their heads in the late 1980s, AMAG managers invested beavily in both npstream and downstream ventures, leaving themselves with no resources to cope with the slump that has hit the world aluminium sector in the

Over the past year, assess ments of the scale of the debacle at AMAG have risen by the month. In the typical Austrian by way of leaks to the press. First, it was Sch2bn, tben Scb4bn, then Sch7bo. The final AMAG - for that is the only

solution - seems to bave topped out during the summer at Sch 13bn.

The throughly embarrassed government - both its Democratic Socialist and Conservative wings - now seeks only to get rid of the albatrosses that still cling beavily to its neck as quickly and quietly as pos-

"What was an asset for the trade unions and the Demo-cratic Socialist Party bas become a burden," Mr Ferdinand Lacina, the socialist finance minister, admits.

The minister responsible for

"It is not easy for the government to have an arm's length relationship with these companies. No politician could have assessed the value of politicians are blamed." be

It would be difficult to exaggerate the importance of this watershed. State ownership of

involvement in industry in Austria are now exceptionally thin on the ground. Mr Lacina makes no bones about bis own crossing of the ideological Rubicon. "I have to confess tbat I really changed my mind," he says.

state industries in 1985, when an over-exuberant Voest-Alplne trading subsidiary lost Sch1hn speculating in oll con-tracts, Mr Lacina has come to believe that the state is inevitably handicapped as an owner of industry.

Ferdinand Lacina confesses that he has had a change of mind about state albatrosses

lan Rodger examines industrial policy

State ventures flounder

Industry has been a way of life In post-war Austria, initially cause it was the only way the Russian occupiers, fearful of re-nazification, would allow the country to recover control of its production assets.

Thus, virtually every key trolled directly by the government or by one or more of the leading banks, which themselves have been controlled in the public sector.

Gradually. became part of the infamous Proporz system, hy which the Socialists and Conservatives shared ont jobs among their supporters, and thus a way of

Today, while the Proporz highest levels of industry and finance, it has collapsed at most other levels. In a cold world of free and open competition, competence and qualifi-

enterprise cations have come to be seen as more important than political affiliation. Thus, the political parties have less and less interest in

> nesses, regardless of their financial performance. theme in Austrian politics since the mid-1980s. An initial wave saw the flotation of significant minority stakes in

> Creditanstalt, the former Lan-

clinging on to these busi-

ties Verbund and EVN. But a nervous Austrian establishment made sure that the state remained firmly in control. Hopes for a more substantial push were vested mainly in Austrian Industries, the

derbank, OMV and the utili-

vehicle that had been established in 1986 to recapitalise and restructure Voest-Alpine. Al had a very good run for a few years, eliminating thousands of redundant jobs, selling off several non-strategic holdings and emerging into

1991. As early as 1989, plans for privatisation were being prepared, and even a convertthle bond issue was launched. Then suddenly all went sour

again; first, because OMV, which had ziso been put under Al's wing, tumbled into loss in the first half of last year. Officials hoped they could pre-serve Al's potential saleshility by putting OMV back under the direct control of the Austrian state holding company, Oesterreichische industrieholding (OIAG). But then came the AMAG debacle.

Now the rush is on to sell off whatever can be sold.

In the past year or so, two sparkling subsidiaries of Al, Voest-Alpine Risenbahnsysteme and Austria Mikro Systeme, have been successfully floated on the stock market, as has a minority of shares of Flughafen Wien (Vienus air-

Negotiations are at an: advanced stage for a foreign government or integrated oil company to take a strategic stake in OMV, aithough put-ting a valuation on it has become problematic in the wake of the oil group's latest

And a sale of the govern-ment's 49 per cent stake in Creditanstalt is thought to be

Al itself is being readled for flotation. Stripped of its AMAG burdens and other noncore subsidiaries, it would be a neering business that could attract international investment interest, London investment bankers S.G. Warburg

The key, however, is for the government to underwrite the AMAG burdens mutil proceeds from the sales of other assets can cover them. That is a hot potato in Austrian politics as Conservatives fear that the Socialist led coeffice povers ment will go back on its prom ise not to pour my more price money into the nationalist industries.

"It is very cleer that there is a credibility cap." Mr Leel says. We well have to me sure that the guarantee h written very care Even when and if all these privatisation projects are com

pleted, much more needs to be done to untangle the close links between Anstring industry, banks and government. The national government still owns a foliacco monopoly, a casino operator and the nutional telephone and rail-

The big banks still have controlling stakes in several leading industrial companies, although Creditanstalt has recently committed itself to getting rid of most of its holdings over a five to 10 year

Then there is the city of Vienna with vast holdings in a bizarre mixture lucluding Bank Austria, the country's cinemas and restaurants. Vienna is still run by old style socialists and shows no sign of bowing to the privatisation

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Inflation remains stubborn

Continued from previous page

The tax reforms that will come fully into force on January 1 are expected to stimulate business and boost consumer demand, hopefully leading to a rise in investment which is set to decline by around 3 per cent this year. The reforms eliminate several profit-based taxes, raise the main corporate tax from 30 to 34 per cent, and simplify other taxes. On average, the overall level of profitbased taxes will go down by 10 per cent. Officials believe the relatively low level of corpo-



Mozart's birthplace in Salzburg, income from tourism has helped the balance by offsetting the deficit in traded goods Pictures Tory Ar

rate taxation should encourage

foreign investment.

Mr Kramer says there has been a steady improvement in the competitive position of Austrian companies in the open sectors of the economy. The productivity of capital is two percentage points higher in Austria than in Germany." he says. But further improvements and restructuring will be necessary to meet rising international competition and the challenge posed by low-cost producers in the former communist countries

Mr Johann Farnleitner, deputy general secretary of the Federal Economic Chamber. believes the opening up of eastern Europe offers a uniqua opportunity. He says Austrian companies will gain competi-tiveness by shifting part of their production to neighbouring low labour cost economies. Already aome 8,000 Austrian companies have joint ventures in the region. Among OECD countries, Austria bas the highest share of its trade with the former communist countries, which account for 7 per

cent of its imports and 12 per cent of its exports. Mr Farnleitner believes trade with central and eastern Europe could grow to 15-20 per cent of total Anse trian trade in a few years'

time. Meanwhile, the recession has encouraged businesses to

intensify efforts to adapt to new environment. and Autria's bumpy ride at the bolts. made smoother by emphasising consen are gradualists. It is more

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prospects for years to come. Within a relatively short time, the country will have to decide whether or not to join the Community. The main political parties favour membership, as does about a third of the electorate; but many voters are still undecided, so the government will need to secure a sufficiently attractive deal from Brussels to win Austrian hearts and minds. The outcome of a referendum, next year or in 1995, is expected to be favourable, but there are many uncer-

"We've been kept waiting for such a long time, feelings are no longer ardent," says Mrs Maria Schaumayer, governor of the

At the same time, policy-makers are reappraising Austria's relations with its former communist neighbours, whose drive towards market economies presents opportunities and dangers. After initial enthusiasm - Austrian exports to the region grew spectacularly, helping to postpone the impact of the world recession - Austria Foreign policy: many voters are undecided about EC membership

An attractive deal is needed

soon found itself besieged by chean central and east European imports and a flow of refu-gees. The government intro-duced protectiva measures against sensitive imports, and for the first time in decades halted the flow of immigrants.

Chancellor Franz Vranitzky says it was necessary to put a temporary halt to imp "It is conjunctural. We had 89 per cent of humigrants already, and that is not a low rate by international comparison. We have to provide immigrants with housing, jobs and educa-

Politicians are also concerned about conflicts and instability in the region. The wars in former Yugoslavia, and the west's (especially the EC's) ineffective attempts to end the crisis caused dismay in Vienna. The rise of nationalist sentiment womies Austrians brought up to value consenus almost abova anything else.

The outlook is not all bleak. Mr Johann Famleitner, deputy

Beonomic Chamber, which represents employers, is enthusias tic about prospects in what he describes as Austria's historical hinterland. "Eastern Europe presents a unique challenge for us. I am comfortable as far as our immediate neighbours are concerned. Somer or later they will do very well," he says. Meanwhile, Austria is vulner-

Relations with former communist neighbours are being reappraised

able to competition from lowcost producers. "We're close to a number of producers, and they want to sell things here. It means some products are offered at tremendously low prices," he says. A tonne of cement produced in Austria sells at \$90-\$100, compared with \$30 if produced in Ukraine, and \$55-\$60 from the Czech Republic. Even efficient domestic produc-

These problems can be solved by quiet negotiations, encouraging regional producers to raise their prices by guaranteeing them a set volume of sales, Mr Farnleitner says. This is good for producers, as it increases the value of their exports, and it helps to reduce the impact on domestic manufacturers. In the long run, it is also good for

industry as a whole, because

companies hava access to

ers cannot match such prices.

cheaper inputs. Austria's economy is becoming more deeply integrated with that of its neighbours. It has more than 8,000 joint ventures in the area, including 4,000 in Hungary. It is an important investor in Slovakia, Slovenia and the Czech Republic. Co-operation with these countries raises Austria's competitiveness in world markets - the cost of 25 workers in a workshop in Austria can pay for 200 workers in a factory in Slo-

Mr Farnleitner believes Aus-

tria's trade with the region could rapidly build up to 15-2) per cent of its total trade.

"We have to live with these countries, and the sooner they get rich, the richer we will get, too. There are 8m Austrians, and 50m neighbours who expect something from us. This is a far greater challenge than joining the European Community," he

Relations with the Community, however, will become increasingly important. Austria already has faced an argument with the Community over industrial subsidies, and it is entangled in a dispute over duties on Austrian exports to the EC of products partly made or finished in eastern Europe. The duties add 10 per cent costs for Austrian exporters, Mr Fara-leitner says, but the row is unlikely to be resolved until Austria joins the EC.

Negotiations on membership terms have begun in earnest. and Austria hopes they will be completed in time to join on



January 1, 1995, though that may be over-optimistic.
"Negotiations were slow to start, but we are well on our way now," says Ambassador Wolfgang Wolte, who heads the foreign affairs ministry's department for European integration. About half of the main issues have been resolved or are close to resolution, but the hardest part will be over agriculture, transit, and establishment of

Agriculture: Austria wants some form of protection/support for its Alpine farmers who it says, face much more difficult conditions than farmers in the rest of the Community. Some will be worse off as a result of joining the EC, Mr Wolte says. We'll have to find some com-

vince the EC that it is more than an economic and agricultural question. It is part of our social fabric. We have to preserve these alpine regions." Transit: This is a very sensitive issue for environment-conscious Austrians. Ideally, the government would like to keep an existing transit agreement. signed concurrently with the treaty establishing the European Economic Area in 1992. Traffic is expected to rise dramatically with Austria's former communist neighbours, and the government hopes it can win support for developing regional infrastructures. Failure to reach an agreement that safeguards

Austrian sensibilities about the

environment could jeopardise

support in the referendum. ■ Residences: Austria wants to limit the right of EC citizens to buy residences in Austria to those who have lived in the country for a minimum of five years. Some provinces want a more restrictive limit based on residence in the province for the previous five years. The fear is that parts of the country that are popular with tourists (the Tyrol, Salzburg, Vorarlberg and Carinthia) could be overwhelmed by the establish of secondary residences that would destroy the character of the area and push property prices beyond the reach of Aus

None of these issues will be easy to resolve, though Austrian officials believe negotiations could be completed by March, allowing a referendum by the summer, before a general election in October. If the negotiations drag on, the referendum will bave to wait until after the elections. "We're not giving up the date of January 1, everything we can to stick to that target .. But in the end it's not so much the date that matters, but the results fof the negotiations," says Mr Wolte.

Patrick Blum

Immigration

When the curtain lifts

first piece of the Iron Curtain, on its border with Austria, in mid-1989, It not only put in motion the fall of communism, but also Europe's largest migration wave since the second

Ever since, Austria has become a magnet for thousands of refugees and immigrants from eastern and south-eastern Europe. For them, it is is the first stop on the way to the wealthy west - as Italy, France and Spain are for people from Northern Africa.

As in other European countries, immigration has come to dominate Austrian politics well beyond the scope of the prob-

Some 6.6 per cent of the population, or about half a million people, have foreign passports, many of them guest workers who have lived in Austria for

Austria has never had such liberal asylum laws as Ger-many, where the right to asylum was written into the constitution until last summer. Ever since the Austrian military began guarding the border with Hungary in 1990, officials have said that they have the immigration flows under control. Even so, the market for unskilled labour has been swelled in recent years by job-seekers from eastern Europe, mostly Slovaks, Poles and Rumanians. Pickpocket gangs from across the border have made petty crime a serious problem in Vienna.

Meanwhile, about 40,000 Bosnian refugees have poured into Austria, and no one expects them to return to their homes in the foreseeable future. Especially in the working-class districts of Vienna, the influx of foreigners has become a symbol of the perils of economic

Feeding on fears of crime, unemployment and a growing bousing shortage, the rightwing Freedom party (FPO) and its charismatic chairman Mr Jörg Haider have repeatedly played the xenophobic card. The FPO has boosted its share of votes to nearly 20 per cent in recent years, even though a con-troversial petition drive against immigration failed to garner significant support at the start of

But it has been the Social Democratic party (SPO) which has been the driving force behind curbs on immigration. Worried that its blue-collar voters will desert the party for Mr Haider, the SPO chairman and Chancellor, Mr Franz Vranitzky. has quietly engineered some of Europe's toughest immigration laws, which went into effect last

Getting political asylum is now a gamble with very little chance of success, and receiving a legal work permit has become equally difficult. The most controversial aspects of the new bill concern long-term residents who are applying for an extension of their visas. Making a mistake or missing a deadline can result in immediate expul-

A widely criticised clause of the new law states that foreigners must have at least 10 square metres of living space per person in order to have their residency permit extended. Given the tight housing situation in Vienna and wide-spread discrimination against non-Austrians, this clause would make more than 100,000 people illegal

Like Germany, Austria does not grant automatic citizenship to long-term residents, or even to children born in the country. This traditional policy has bampered the integration of foreigners and weakens their ability to seek legal protection.

Several well-publicised cases about foreigners trapped in the bureaucratic maze have caused an uproar over the new law in political and intellectual circles. Key members of the People's party (OVP), the junior coalition partner, have called for a quick revision to eliminate its most vicious elements.

In the forefront of the fight is a broad-based coalition of artists, writers and church leaders, called "SOS Neighbour", which as originally formed to oppose Mr Haider's petition drive. Their anger is now mostly directed against Mr Franz Loschoak, the interior minister and

a key aide to Mr Vranitzky. Opposition has also been voiced by business and industry, which has come to depend on cheap foreign labour. As the number of work permits for foreigners is gradually reduced. many sectors are complaining about a worsening labour short-

Sectors such as construction and tourism could not survive without guest workers, executives say. But Social Democrats have held firm on their tough immigration policies, and several figures show their calculation may be right.

The number of asylum seekers had dropped to 3,187 in August, from 13,820 a year earlier, and surveys show broad support for the policy among average Austrians.

Even Mr Löschnak has gained in popularity in recent months. The SPO may lose some young voters to the leftist Greens, who call for a liberalisation of immigration laws, but the party seems to have secured its core worldne-class constituency

Löschnak also argues that Austria still hosts more war refugees per capita than any other European country, and individual hardship cases are often settled leniently, Moreover, Austria has avoided the kind of right-wing violence against for-eigners that has engulfed Germany over the past two years.

Eric Frey

Interview: Franz Vranitzky

The Austrian

Patrick Blum

the cold war?

'Three years of reforms'

chancellor replies to

questions put to him

by lan Rodger and

Q: Is Austria reassessing its

security needs in the light of

new challenges since the end of

A: We have to deal with an

increased number of

conscientious objectors. We

have to modernise equipment.

And with this modernised

equipment, we will try to

increase our ability to join

United Nations forces in

have abstained from defining

a different kind of threat after

the east-west antagonism

Q: The nationalised industries are in trouble again. Is there any chance that the government will bail them out again?

A: I am not open for a bail-out in the old sense, as it was done in the sixties and seventies. We do not belp those companies by covering their deficits and letting them return to business as usual.

Q: Is it important to you that Austrians still hold majority control in these companies? A: It is understandable that

the workers in these companies would feel safer if their shareholders were not foreigners. We have to make them understand that this is not the only consideration. There has to be more international co-operation to new technological know-how or new markets. And we sometimes have to offer the know-how developed here to others to open new market opportunities.

Q: The government's deficit reduction plan has been thrown off course by the recession. Will there be further relaxation in the forthcoming election year?
A: I do not believa in a lot of

election promises. Our standards of social security, our education system, our ecological standards are all so high that it is not politically necessary to increase them. Let us be glad of that. Probably we could not afford

Q: Your critics say that the present coalition government has been hesitant in implementing reforms. Should there be another coalition after

next year's election?

A: This government has brought more reforms in the past three years than any

Q: Why then are both ruling

porties losing popularity?

A: Not all reforms are popular. I think that mass parties in many countries in Europe face a much tougher challenge. We have called for more individualisation, more open democratic systems, more plebiscites, so we must not wonder that the citizen comes back and uses the opportunities that have been opened. The individual citizen no longer subscribes to a political party as fully reflecting his own thinking as he did earlier in the post-war era: This is not an excuse. I

am aware that we have to try

Q: How optimistic are you about completing negotiations aimed at Austria's joining the European Community! A: The most important point is that we become members by 1996, so that we can not only attend the intergovernmental conference as members, bot also participate in the preparatory work. Therefore, I took up the EC's suggestion that we should become members by January L. 1995. I

Q: Austria has long been an immigration and asylum country, but has recently closed its borders to immigrants, is this a permanent change in

A: Right to 9 per cent of the

see no reason why we should

not take this date seriously.

people in this country are immigrants. That is not an extremely low rate by international standards. Soms of our new laws aim at keeping the number of those coming in within magnitudes that we still can cope with. In 1994, we will open again to some 25,000 immigrants. must always be in a position

Q: How do you feel about the evolution of the new regimes in central and eastern Europe? A: They have serious

to defend our borders.

deficiencies in infrastructure that lead to a smaller capacity to improve their private economies. We need a new initiative - Enropeans together, not on a bilateral basis - to develop their infrastructure. They cannot do it by themselves, and it is unwise for us to say to them, 'First develop your infrastructure, and then we

will come with investment. I have recently asked my German and Italian and Pinnish colleagues - those in the front-line states, so to support our financial and industrial groups to pool resources and concentrate on a vanished. We say only that we number of specific projects.



Franz Vranitzky: 'not all reforms are popular'

limes change, the value of experience doesn't.

The pace of change in Central and Eastern Europe is producing new opportunities and new challanges. The most valuable asset Creditanstalt can offer for the future is our axperience. Among western banks we are unmatched with our natwork and our links in thase nascent

This gives a familiarity which makes these countries almost a "home market" for us and our customers. Not laast because our heavy Involvement in this region is based on a longstanding tradition. For example, our presence in Budapast and Pragua dates back to 1857. As new opportunities are emerging, no one is better placed to help you succeed.

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MOST BANKS in Europe are either already enjoying or anticlpating enjoying the impact of lowar interest rates on their basic business.

Austrian banks are in the first category, having already had a taste of wider spreads as the Austrian National Bank has dared for some months to push a step ahead of the German Bundesbank in lowering

Profits of Bank Austria (BA), the country's largest bank, jumped 51 per cent in the first half, to Sch2.01bn, while those of Creditanstalt soared 77 per cent to Sch2.3bn. Both banks made clear that the gains had to be seen against extremely depressed results last year, and that the profit surge came mainly from trading activities, but they were nevertheless optimistic for significant improvement in the

year as a wbole. in spite of this pleasant outlook, there is not much joy in Austrian banking circles these days. Rather, a pall of unfinished business hangs over the scene, leaving a certain amount of anxiety in the hoardroom

of nearly every major bank. Rationalisation has been the key

theme in Austrian banking for sev-FEW STOCK markets have given investors as rocky a ride as Austria's in recent years. A sparkling bull run in 1989 and early 1990 was followed by three years of slump, with the all-share index losing over half

January 1990 to January 1993. This year, the market has bounced back, but many investors remain suspicious of the uptrend, given the still weak economic outlook for the coun-

In part, the Austrian market's high volatility reflects its small capitalisation and the relatively small proportion of most companies' shares that are freely available for trading. It suffices for a couple of big UK or US institutions to adjust their overall weightings for Austria by a point or two to

move the whole market. But there have also been many structural problems - a lack of active domestic institutional investors, a tax system that discriminates against equity securities and inadequate investor protection provi-

sions. In mid-1991, when the market was showing no signs of emerging from its long decline, Austrian leaders decided that enough was enough. Within a short time, a strategy committee was formed under the personal leadership of Mr Ferd-Inand Lacina, the finance

eral years. The country has a ridiculous number of bank hranches, one for every 1,340 residents. However, for a long time, most banks were well armed with hidden reserves and state backing, and so could afford to take a fairly relaxed attitude to the hard decisions that had

Now, after huge losses in foreign misadventures and, more recently, domestic losses, the big banks are coming to the end of their reserves. and the government wants to sell out. Smaller savings banks, too, are under pressure from nervous local authorities to throw in their lot with larger groups.

The main focus in the past year has been on Bank Austria, the country's largest bank following its creation in November 1991, from the merger of the city of Vienna's Zentralsparkasse savings bank group and Länderbank.

BA realised from the start that it had to close about 50 of its 407 branches, but it has had to proceed cautiously because of trade union sensitivities. It has also had immense problems trying to integrate the computer systems of the two banks, and faces a huge proviBanking: rationalisation is the theme, says lan Rodger

Profit, but little joy

sion to cover the costs of the old Zentralsparkasse pension ohligations. By a quirk of history, Zentralsparkasse employees were not included in the otherwise universal state pension system.

Analysts reckon that by the time these matters are settled in two or three years. BA will have completely used up its roughly Sch6bn

Another area of tension is the

country's large savings bank sector The problem here, paradoxically, is that rationalisation has proceeded so quickly that it has altered the balance of power in the system. In the mid-1970s, there were over 170 savings banks, and each had a relativaly small stake in their large central clearing organisation, Giro zentrale. As a result, Giro could dominate the organisation and pursue its wholesale banking business

savings bank groups, Zentralsparkasse and Erste Oesterreichische (First Austrian), bolstsred by a landmark court judgment facilitating the sale of savings banks by local authorities, went on acquisi-

Bank Austria realised from the start that it had to close about 50 of its 407 branches

The result today is that only 80 savings bank organisations remain, and Zentralsparkasse, now part of

Bank Austria, and Erste together control over half of the shares of Giro, since renamed Girocredit. Being large universal banks in their own right, Bank Austria and

Erste have no need of a clearing organisation like Giro and tend to

in capital markets busin Not surprisingly, Giro has squirmed uncomfortably under these new constraining forces, and has tried various strategms to force

its two largest shareholders to sort the situation out. The main proposal, first made three years ago, was that Bank Austria should sell out of the savings hank sector, and that Erste and Giro should merge. A first round of negotiations in the summer of 1991

collapsed in mutual recrimination, and a second attempt is now at a sensitive stage. tria will sell its 31 per cent stake in Giro. The problem is: who will buy it, and at what price? BA put down

to cover loan losses, at a self-deter-

It now seems clear that Bank Ausa marker, when it sold the stake at the end of last year to an affiliate. in order to crystallise capital gains

FT-A World indices

mined price of Sch400 per share. This would indicate a value of Sch16.4bn for the whole bank.

That is perhaps a bit on the high side, even though Giro's profit performance has improved substantially this year. But any reasonable price would be beyond the ability of Erste alone to pay. Its total assets at June 30 this year of Sch184bn were significantly less than Giro's

Sch330bn at the same point. Moreover, Erste is at best a diffident buyer. It has carved out a successful niche in retail banking, and is nervous about making its life

more complicated. Hence, an effort is being made to form a consortium that would include the other largish savings bank groups from provincial capitals. But it all takes time.

The 20 key people in the savings bank sector are beginning to understand. Now they have to tell 60 others and get their supervisory boards to agree," an Erste director

Ownership and control are also live issues at Creditanstalt. The bank's proud patrician manage has been eager for several years to rid itself of state control.

The government cut its caniral stake from 60 per cent to 49 per cent several years ago, but it still holds 70.5 per cent of the votes. Last year, as its own budgetary problems mounted, it became more eager to sell and in November, & energed

that negotiations on the sale of a 20 per cent stake to General Electric of the US had taken place. These apparently came to name and in the spring an attempt was

made to merge the bank with the very large Railleisen group of co-operative banks, with Raiffelsen but ing the government's stake.

Creditanstalt's management balked at this project, and the government agreed that it was not a sensible solution. Since then, as result of the sharp rise in the CAshare price this year, there has been much talk of floating the government's shares in the sources.

That is clearly the wish of the rather not be faced with another strong controlling or influential shareholder. Mr Ferdinand Lacing the finance minister, is not convinced that it is the best solution. Their interest is not necess

the same as ours," Mr. Lacing mi

The stock market reformers have moved fast

A helping hand for equities

its value in the period from minister, and containing representatives from all interested groups. "This was deliberate. We wanted to break up the old bankers' club image," one official, working on the committee.

By any measure, the committee has moved with remarkable speed on several fronts. Among the more important measures

taken to date: ■ An amendment to the Stock Exchange Act was passed in tha spring, making insider trading a criminal offence. This came into effect on October 1. Mr Lacina has since said that he will outlaw the use of anonymous bank accounts for securities transactions by the end of this year. This move is a prerequisite to the effective investigation of suspected insider dealings.

Meanwhile, leading banks and brokers have drawn np and adopted a standard compliance code for handling price-sensitive information. This is a particularly important measure, because trading in securities in Austria is dominated by the same three large universal banks that dominate the new-



The Vienna Börse will soon have screen-based trading

issue and corporate-lending businesses

For their part, quoted companies are being pressed to adopt fair and timely procedures for disclosing their accounts and other information likely to

have an impact on their share

A series of capital marketfriendly tax reforms was agreed in May, and will come into force at the beginning of next

aged entrepreneurs from taking their companies public, is to be abolished, as is an irritating trade tax. The stock exchange turnover tax will be abolished with respect to securities lend-

Individuals are given special incentives to invest, the most important being an annual taxfree allowance of Sch10,000 invested in equities, Taxation on income from securities and bank savings accounts will be equalised at 22 per cent. Previously, income from securities was more highly taxed.

■ The Vienna Borse itself has taken a number of steps to make trading more efficient and transparent, and more are on the way. In July, daily trading hours were extended by one hour, and a computerised analytical data base has been set up to promote the equal dissemination of information.

A screen-hased trading system is scheduled for installation late next year, and the exchange is encouraging companies to simplify their equity structures so that the market in their shares is more liquid.

The exchange is eager to improve, because of the danger of more trading activity leaking out to the SEAQ market in London. Already five of the largest Austrian quoted companie Creditanstalt, EVN, OMV, Wienerberger and Verbund - are quoted on SEAQ, and analysts estimate that nearly a fifth of trading of their shares is done in London.

How the markets have moved

The two hig outstanding issues for the committee are the establishment of an overall market supervisory body and the stimulation of institutional participation.

The government tried to promote institutional participation four years ago, hy raising the proportion of their funds that insurance companies could put into equities to 30 per cent. But

these companies have remained extremely cautious about exercising their new freedom, and so far have only about 6 per cent of their funds in equities. Analysts agree that they are unlikely to change until the cozy Austrian insurance market becomes part of the European Community market, forcing them to try to get better performance from their funds.

Pension funds are virtually non-existent in Austria, because the government's (unfunded) universal pension scheme covers about 80 per cent of requirements.

As for an Austrian securities and exchange commission, everyone agrees that there is a need for such a body, but Mr. Lacina, for one, is worried about using a sledgehammer to

crack a nut. We do not an over-bureaderatic store he said in a recent in The reform process action serious blow last spring the death of Mr Helient Part chek, chief executive of the Austrian Control Bank (Delta the clearing house for the

However, Mr Johnson Attems, another Ocks district says anxieties about the loss of Mr Haschek's drive and total ence on the process are sub-placed. Once you get a critica mass of things moving the the whole process sains momentum and capted he reversed. Mr Attents and He adds that govern

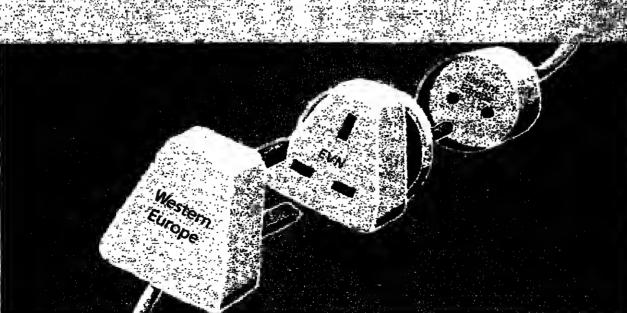
ders understand the organicy We are going to have so \$100bs - \$150bs in privations pjects in the next five re-

in Europe. Private candlat ital to be attracted. We in Austria are competing with other capital markets. If we want the large Angle Same institutional investors in our market, then we have to adop their rules, make it casier for them and provide better oppo tunitles for them than else-

where in Europe. We also have to fell the Austrian investor that he should invest more in equities, and not just Austrian contiles."

lan Rodger

EVN The Austrian connection



advantages, and EVN would still be an

impressive power company it is one of lew European electricity and gas companies with domestic growth prospects.

Having afready diversified into upstream energy interests, it is actively exploring lurther

opportunities related to its core business.

With good liquidity, strong management, a solid earnings record and a clear strategy for long-term growth, it is no wonder that EVN is already one of the most traded shares on the Vienna Stock Exchange. Or that it is guoted

first Austrian company to have a sponsored

ADR facility in the United States,

Now consider EVN's proximity to Austria's borders with Hungary, Slovalia and the Czech As the Eastern European markets and Western Europe seeks closes links for the future, it is ideally placed to make the necessary connections, indeed, as the divide closes, EVN is ready to multiply.

The media

Cable bypasses the monopoly

A COUNTRY like Austria, which lives in the shadow of a much larger country that shares the same language, is bound to have trouble main-

taining its national media. Technological advances and economic liberalisation have made it almost impossible to protect a national media, but the government goes on trying. Austria is one of the last countries in Europe with a state broadcasting monopoly. Neither private television nor radio stations are allowed, and the Austrian Broadcasting

ernment mandate to air quality documentaries as well as important cultural events. This has made two-channe perhaps the most respected German language television group, but not the most profitable.

Corporation (ORF) has a gov-

In the newspaper sector, most of the papers that were backed by political parties have recently folded, but the government is still spending more than Sch200m a year to subsidise a handful of dallies with smaller circulations. Even so, the days of a dis-

tinctively national media appear numbered, whether Anstria joins the European Community or not. Through the growth of cable

television, more than half of Austrian bonseholds can watch German TV channels, including the popular commer-cial stations like SAT 1 and And in recent years, German

newspaper concerns, looking

for an opportunity to invest excess cash, have bought large stakes in some of the largest Austrian publishing groups. It all started in the mid-1980s with a quarrel between the co-owners of the largest tablold daily, the Kronenzeitung. Hans Dichand was looking for someone to huy out his long-time partner Kurt Falk for Sch2bn, and finally found Westdentsche Algemeine Zeitung (WAZ), a large

German newspaper cham. WAZ then went on to invest in Kurier, the second-largest daily, which also owns several important magazines. This created the media group with the highest market share anywhere in Europe.

Other German media groups jumped in Axel Springer Ver lag, in 1988, helped launch the

the country's largest quality daily, and took stakes in other newsprint products. As many papars are currently losing money, they depend finan-cially on their German sugar

Even bigger changes are happening in the electronic media. Standing on the verge of EC membership, Austria knows that it cannot maintain the ORF monopoly for long. But the legalisation of private broadcasting has been stymied by a battle over influence and ideology hetween the two main political parties, the Social Democrats (SPO) and

the conservative People's Party (OVP). The Social Democrats, who dislike commercial television, want to permit a private channel to co-exist next to the two ORF channels. Conservatives argue that the advertising pie is much too small to support three Austrian channels. So they want ORF to spin off its second channel to private investors, a move strongly opposed by the ORF leader-

Meanwhile, a power struggle has begun at ORF following the retirement of veteran cbairman Gerd Bacher. Strong-willed and politically aware, Mr Bacher had improved ORF's financial fortunes hy cutting costs and boosting the state-regulated advertising revenues.

His successor, however, will have to do more to guarantee the group's survival amid growing competition. He will have to cut down on the vast eaucracy and curtail political interference in personnel

decisions and content. A law permitting private radio stations will finally come into effect next year, but its terms are controversial. Foreign participation will be limited to 25 per cent, and most of the new stations are likely to be controlled by the large newspaper groups and qnasi-governmental institutions, thus increasing the already high concentration of

media power. The small independent radio stations that set up across the border in neighbouring coun-tries and broadcast into Austria are likely to fold.

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